The MAGAZINE of WALL STREET

May 31st 1930

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PUBLISHER

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The New Tariff and Your Investments

Are Low Prices a Cure for Dull Business

Stocks Which May Reflect Contests for Control

Vol. 46 No. 3

Associated Gas and Electric Company

Data from Annual Report for 1929

States in which service is rendered by the Associated System of which the Associated Gas and Electric Company is the principal unit.

NEW YORK	MAINE
PENNSYLVANIA	MARYLAND
NEW JERSEY	MISSOURI
MASSACHUSETTS	NEW HAMPSHIRE
ARIZONA	NEW MEXICO
ARKANSAS	OHIO
CONNECTICUT	OKLAHOMA
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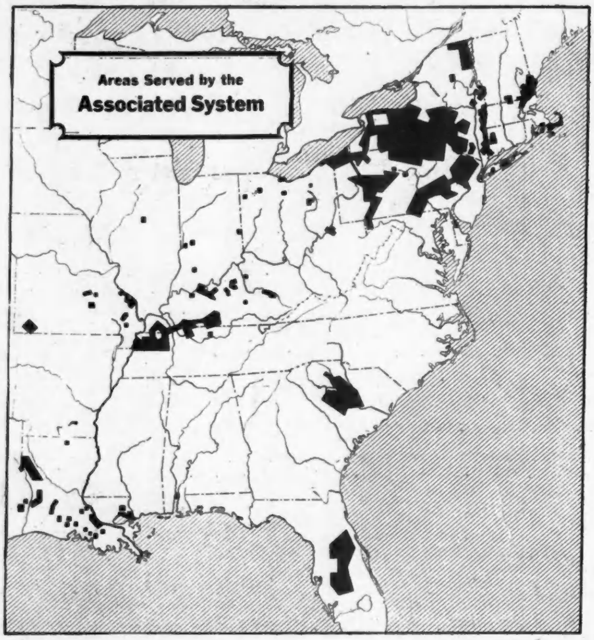

Condensed Consolidated Statement

Gross Earnings and Other Income	$79,540,914
Gross Income	43,240,956
Balance for Reserves, Interest and Dividends of Associated Gas and Electric Company	33,033,639
Earnings Per Share, Class A Stock (Average Number Shares Outstanding 1929)	3.64

Facts About The Associated Gas and Electric System

Total Gross Revenue	$91,480,596
Total Number of Communities Served	2,300
Number of Electric Customers	896,630
Electric Kilowatt-hour Sales	2,372,274,311
Number of Gas Customers	421,857
Gas Sold (cu. ft.)	15,925,695,000
Total Number Registered Security Holders	190,139

The 12.9% gain in electric output during 1929, which compares with a 10.4% gain for the industry as a whole during the year, illustrates the business stability of a geographically diversified group of properties such as the Associated System.

Full report will be mailed on request to the Company at

61 BROADWAY ASSOCIATED GAS & ELECTRIC SYSTEM **NEW YORK CITY**

Member of Audit Bureau of Circulations

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Vol. 46. No. 3. May 31st, 1930

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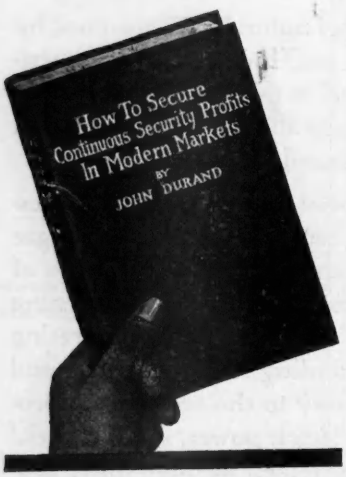

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WITH THE EDITORS

It Will Help You Decide

"THAT stock of the cement company which I bought last year has certainly proved a disappointment to me," a friend recently remarked over the lunch table. "I can't understand why it shows so much uncertainty in its market action. There seems to be a good deal of building going on, more and more roads are being put down in concrete. The market must be broad and a pile of cement should be in demand. As a matter of fact last year's earnings, as shown by the report which I received this week were very encouraging."

"The current price of the stock," we suggested, "is not reflecting last year's earnings, but rather what investors think it will earn this year and next year. No quarterly statement has come out, not even a report of recent sales. Perhaps things are not so active now, as you think they are from casual observations. Your examination into the affairs of the company you have chosen may not have disclosed the fact that the industry as a whole is over-capacitied."

"What has that got to do with my company?" countered our friend. "Suppose the production capacity of the combined companies in the industry is large, what does that mean?"

"Well, in the first place the potential capacity to produce in excess of market requirements exerts a continuous pressure on the price of the finished product," we explained. "Moreover, there is always the tendency on the part of each unit in an industry to make the fullest possible use of its equipment. Naturally, it is desirable to make the capital invested in production facilities work to its maximum. This means pretty close to full output. Multiply one case by the number of companies in an industry, and in times of moderate demands, over-production soon ensues. Stocks of finished goods rise and the effort to move them into channels of consumption lowers prices and reduces the margin of profit. These are some of the forces which may be operative in the case of your cement company. I would investigate and find out."

"Do you think that it is desirable in view of its present low levels to buy more stock and so average down my cost, or to dispose of the whole lot and take my loss?" was the next question.

"I don't believe that it would be wise to make any decision before you knew whether the tariff would help or hinder the prospects of the industry as a whole," we answered.

"But I have not followed the tariff question," was the objection, "and I don't see how it would bear on the decision in regard to my stock. How could the tariff affect the over-capacity of the industry to which you have been referring?"

"On the one hand, if a tariff on cement discouraged the importation of the European product, it might go a long way toward converting what is now excess capacity to needed capacity, whereas if no protection was afforded, the industry would be subject to increasing competition from the cement plants abroad. The market price will be influenced by these considerations and if you are to make an intelligent decision," we concluded, "it might prove helpful to you to read the study we have made of how the tariff will affect various industries which appears in this issue of THE MAGAZINE OF WALL STREET.

In the Next Issue—

Stocks to Buy Now for Autumn Profits

Ensuing weeks give promise of presenting numerous opportunities for careful accumulation of stocks in certain strongly situated companies which may be expected to sell at substantially higher levels next Fall. We have made careful selection and analysis of a few of the choicest of such issues.

Where is Corporate Ownership Headed?

On every side we find increasing evidence of concentrated control by banks, investment trusts and holding companies of the largest and most favorably situated companies in the key industries. What does this tendency mean to business and to investors? A penetrating and candid analysis of an important subject—

By THEODORE M. KNAPPEN

Watch for the Public Utility Issue of June 28th, 1930

E. Kenneth Burger
Managing Editor

C. G. Wyckoff
Publisher

Theodore M. Knappen
Associate Editor

Investment and Business Trend

France Makes a Noble Gesture—Lure of High Yields—How Will You Have Your Boom?—Banks and Bonds—The Market Prospect

FRANCE MAKES A NOBLE GESTURE

As 40,000 French soldiers march out of Germany and the documents of the earlier reparations agreements curl and crumple in flames that are symbolic as well as actual, Aristide Briand makes his formal appeal to 26 nations of Europe to take the first steps towards a United States of Europe. It was an admirable piece of historic dramatization—an epic stroke of publicity. There were other properties. In Algiers President Doumergue was celebrating with pomp and pageant the hundredth anniversary of the establishment of France's African empire on the ruins of the Barbary states. In the background was the scene of France prosperous, and militarily and financially the most powerful nation in Europe. The one nation best equipped to continue Europe's destructive nationalistic conflicts offers to take the lead in a harmonious union and a new policy of co-operation. The offer is audacious but the method is sagely politic. The appeal is made to governments but is really to the masses. The objective is almost appalling in its vastness but the first steps are so few and simple that no nation can refuse to take them. M. Briand is discreetly content now to plant a seed which he hopes will grow into a great tree of European union—a union of economic solidarity. There is a hint of practical, not to say demagogic, politics in the suggestion that a union involving the utilization of the natural resources of Europe for the common benefit of the people of Europe must not be left to the economic initiative of private interests. Bluntly stated, M. Briand seeks prosperity—better business—for Europe but it must be better business for the masses, not merely for the entrepreneurs. The purpose is economic but the means are political. The tree will grow or Europe will cease to grow—may even enter into decadence. The choice is between conflict or union. If we are through with war there is really no other way for Europe than that of some sort of union. Such a union may challenge the commercial supremacy of America in the world but the world will be richer and better for it, and we will share in its appreciation.

LURE OF HIGH YIELDS

Comparison of the income derived from leading common stocks today with the yield of a year ago, brings some sharp contrasts to light. Before the crash of last Fall, the average return in leading groups varied from 2 to 3 per cent to as high as 6 per cent, rarely more, whereas at present, prices have so far receded as to afford today's buyer in the same groups a yield of at least 8 per cent and

in some groups, such as the coppers, as high as 14 per cent. It is significant to note, however, that such startling gains in the rate of return do not appear so prominently in what may be termed the Investment Grade common stocks, nor in those industries where the business depression does not seriously hamper earning power nor menace present dividend rates, as in the case of the utilities, amusements, etc. It is rather in that, by no means small, number of companies in which lower earnings may result in reduced dividends, that high yields might lure the unwary investor. While it is true that the current period does offer numerous investment opportunities, it is also a time when considerable discrimination must be employed in selection. Too much enthusiasm is hazardous over present large returns, unless there is reasonable assurance that the present dividend rate is well protected by earning prospects. A slight drop in the current rate, and the market decline which accompanies it, may reduce an 8 per cent return at present to a figure where the yield on true investment stocks appears high by contrast.

HOW WILL YOU HAVE YOUR BOOM?

THE universal question in the worlds of business, investment and speculation is not, will we have another business boom, but when? It is everywhere taken for granted that another boom is incubating even now in the obscurity of dullness. Once in a blue moon some person of a skeptical state of mind suggests that perhaps we shall never have another real roaring boom, but the average man believes in the eternal succession of booms. Few people care to discuss the collapse that will come as surely as the boom. The popular idea is that a boom affords a grand opportunity to make a fortune and that the would-be fortune maker will get out in ample time when the next boom picks him up. Now and then you will even find a voice raised in laudation of the old succession of booms and depressions and in opposition to proposals looking to the stabilization of business. It is argued that eccentricities of business weather are as much the life of American business as physical weather is of American bodily vigor. Then there are some people who believe in well ordered and controlled booms—booms that will lie down and roll over and get up at the master's voice. This is the amiable kind of a boom a committee of the American Bankers Association favors, having special reference to the stock market. The way to control the stock market boom, the committee tells us, is through its diet. Cut down its food allowance, don't give it more tasty securities than it can digest without the concomitance of a stomachache. The committee has even figured out the ration. It is about $600,000,000 a month, because that is the monthly savings of the nation. The diet doctors are designated as the investment bankers. They overfed the boom the last time, and it is alleged to be within their power to aliment it rationally the next time. Perhaps the business doctors will gravely ask us about a year from now whether we want our booms as usual or trussed up just when they begin to get interesting. And the answer would not be unanimous.

BANKS AND BONDS

THE popularity of bonds carrying conversion or warrant privileges continues unabated. In recent corporate financing, which by the way is favoring bonds over stocks for the first time in two years, the bonds with equity features predominate and in the bond market as a whole, the convertibles are showing the major part of the activity. The investing public is still common-stock-minded, even in the purchase of bonds. Meanwhile not a few of the plain mortgages or debentures, which do not possess the garnishing of stock privileges, are affording yields and security which although apparently failing to exert their old attraction for the individual buyer, certainly represent desirable acquisitions to bank portfolios. With the loan and investment item at relatively low levels, and money cheap, the bond market should receive substantially more attention from banks at present and in the weeks to come.

THE MARKET PROSPECT

THE stock market is still attempting to straddle two important factors and by and large is doing it rather well in spite of the lowered activity. Cheap money and plenty of it available for immediate investment is the sustaining factor; while the uncertainties in the current business situation tend to hold back speculative interest. Between the two, the market seems unable to move materially either higher or lower, and it is quite likely that these two opposing influences will continue to hold the trading range of the market within narrow limits for the weeks immediately ahead. Indeed there is surprisingly little inclination to attempt to move the list as a whole, out of the current trading groove into which it has settled, speculative interest being confined to individual price movements. Forward movements bring a good deal of profit taking even in the best issues and the recessions stop when they meet investment buying on the dips. In a quiet market of this character, when trading volume has fallen to below the two million share mark as it has in recent sessions, the selection of good stocks for long range investment is not a very dangerous or venturesome proceeding. Although recognizing that as yet no dependable clue has been given by the market as to which side it will find the least resistant in order to move out of its current trading range, some groups look promising for the investor who is buying with the longer view in mind than week to week price movements. More specifically, the groups that commend themselves for this purpose are the rails, which have established per share values to correspond with the lower traffic figures; the oils, which have shown signs of slow improvement in the fact of slower business activity; the food group which seems assured of future stable operations; and, the tobacco stocks, some of which seems cheap in the light of their characteristic protection against recessions in other fields of commerce. Traders in the meantime will have to be content with narrower profit margins as long as the market is restricted to a narrow trading range and might well keep some buying power in reserve for the first signs of a shift in prices to another level.

Monday, May 26th, 1930.

Is it Sound to Check the Swing of the Business Pendulum?

Government's Plan for Manufactured Prosperity Releases New Economic Forces—Appraising the Cost of Industrial Stability

By Arthur M. Leinbach

THE present Administration "inherited" an unusual degree of prosperity that had been several years in the making, when it established itself in Washington in March, 1929. And it seems to be a part of the American tradition that the man who makes his fortune by his own effort and ability is entitled to more enthusiastic plaudits than the man who inherits his wealth. Consequently Mr. Hoover did not receive a very liberal measure of credit for the so-called prosperity to which his administration fell heir. His great opportunity, however, lies immediately before him. If the present Administration succeeds in restoring a similar measure of prosperity before its term ends, than it could truly be said that such prosperity was "hand made."

The Great Experiment

For, in a manner heretofore unrecorded in the annals of history, a government is attempting to stem the tide of a recession and dissipate the destructive forces of panic. Once demonstrated that economic reactions and the psychological forces that set these reactions into motion can be arrested by "coordination" of business endeavor, then there will be no more panics nor major industrial recessions to plague our modern business communities.

In the meantime the experiment is a matter of extraordinary interest to investors, bankers and businessmen. Why do our large corporations earn, say twice as much in 1929 as in 1928—and then half as much in 1930? The question has a direct bearing on security values, stock price trends, business cycles, accelerating and receding industrial activity and the every-day welfare of some 120,000,000 men, women and children in the United States.

Moreover, it has never been satisfactorily answered, although numerous explanations of an academic nature have been forthcoming. It is characteristic that at the height of each boom, sentiment favors the notion that a new era has arrived and business cycles are a thing of the past. Following each panic, in the same way, the cynics come to the fore who declare that each boom can only be attained at the price of a subsequent depression. But the question still has never been answered to anyone's practical satisfaction because no one has ever tried before to stop the swing of the business pendulum on the same scale that President Hoover is attempting through his "prosperity conferences." The National Business Survey Conference now provides a permanent organization for the present effort to iron out the peaks and valleys of business activity. We will know in time whether the magnificent goal of industrial stability is possible of attainment, for the ultimate aim of this conference is no less than this. At the moment, however, the so-called panic of 1929 is still too close behind us to win the complete conversion of dissenters who insist that "it can't be done."

Even though, unhappily, the time has not arrived when victory for prosperity conferences over cyclic tendencies of business and finance can be declared, it is possible to record some notable accomplishments. Against these achievements, however, we must also tabulate some of the new forces which have been released through the interference with normal economic actions and reactions. Sufficient progress has now been made

Ewing Galloway Photo

The White House at Washington

in the current business year, to strike a "preliminary balance" and weigh tentatively the gain and loss from the Administration's efforts to turn the industrial night into day by intelligent planning and co-ordination of effort.

The success of these Government-sponsored business conferences must be calculated in terms of what "might have happened." There are certain familiar progressive stages in a downward swing of industrial activity. The initial stage of the recession in this instance was seen as early as the summer of 1929, when business activity first began to hesitate and then fell off to an irregular downswing that is now at around its low ebb. The statistical exhibits of such factors as new orders, raw material prices and car loadings fell into line one by one in the downward swing of business. The stock market maintained its high level until September and October when one of the sharpest recessions in history took place, which cut the values of listed stocks by some twenty billion dollars and left a wide trail of losses to individuals and institutions who had staked their funds in equity securities.

Vicious Circle of Deflation

Normally, the impetus of so many reactionary factors would have been sufficient to set into motion a chain of unfavorable events that, in their ultimate effect, would tend to knock over the industrial structure of the country like a house of cards. The familiar tendencies, which marked similar circumstances in the past, gave reason to anticipate a disastrous psychological effect of the market crash on business activity. With each widely advertised deflation of stock values, businessmen succumb to natural emotions of fear and cautiousness, whether or not they are committed to or concerned with the stock market itself. Orders are cancelled, buying is reduced to a minimum, public purchasing power falls to a low ebb, stocks of raw materials and finished goods pile up while prices fall; inventory losses appear, bank loans become frozen and operations are curtailed in order to prevent further losses. Each one of these factors aggravates the other, in the vicious circle of deflation, forcing further progressive weakness that is so characteristic of past business recessions. In an effort to cut down operating losses, employment and wages are further reduced which in turn lowers the consuming power of the public, further embarrasses the merchants with stocks of goods, brings inventory losses and frozens loans; thus one turn of the circle begets another.

In the firm belief that such severe valleys of depression are avoidable, President Hoover set into motion his familiar plan to arrest the reactionary forces that had gotten into operation last year. Industry would merely take a "rest" under the new scheme without the traditional losses to owners and stockholders and the usual suffering and hardships for labor. Production of consumable goods was to be adjusted to the needs of the markets and the surplus of labor and capital shunted into channels of new construction in property assets, improvements and new public works. Under the Hoover plan, this scheme is calculated to hold public purchasing power to a sufficiently steady level to break the force of the vicious downward circle of the industrial recession.

The Low Point

It is only fair to appraise the results of these plans in terms of what might have happened if no effort were made to break the normal force of a business reaction at this time. After all, the Administration inherited a business situation which had in itself the germ of reaction, in the very scope of the boom which preceded. At the height of the activity in 1929, new records were established both for the pace of business and the volume distribution of goods of many kinds and varieties. Under the economic laws of action and reaction in vogue for so many decades, the recession from such peaks might reasonably be expected to be followed by some new records on the downswing. At the time of this writing, most authorities find themselves able to agree that the force of the reaction has spent itself and that the low ebb of the industrial recession has been reached. Taken by and large, the record is one of proportionately less severity than previous recessions in business.

It would not be wise, however, to jump to the conclusion that economic forces can be dissipated without releasing new forces. Since last autumn so much space has been devoted to the achievements of the Administration's anti-panic conferences that it might be well to say "Amen" to that phase of the situation for the moment and consider the other side of the picture. Let us grant that it is possible to mitigate the normal reaction in a downward business movement, therefore, and examine such new factors as we may be expected to contend with on the recovery.

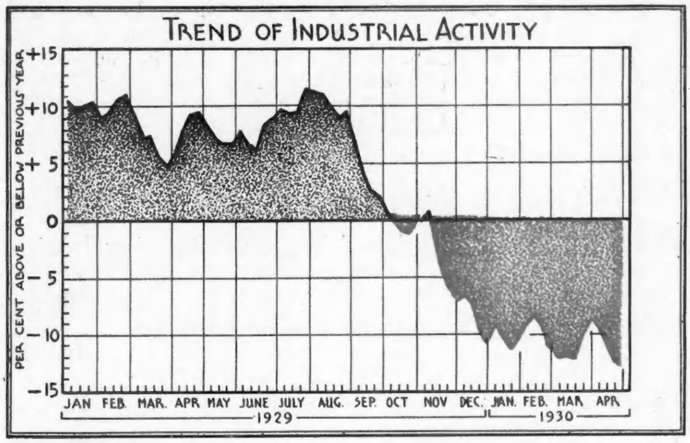
After all it must not be overlooked that a reaction in business tends to correct unhealthy tendencies that have crept into the previous expansion, in the same way that a reaction in the stock market tends to correct an unhealthy technical position. In a normal industrial recession, the individual units in industry that have experienced an unhealthy, inefficient and unwise type of expansion are the ones that fall out of the march during the retreat. Mushroom growth which thrives in a boom also disappears with the first morning mist of a recession. Industrial efficiency in the broadest sense is sustained by the elimination of these units during periods of distress. The survival of the fittest, whether it occurs in nature or in com-

Harris & Ewing Photo

Chamber of Commerce of the U.S. Bldg., Washington, D.C.

merce, is often distressing for the individual but in the long run it sustains the vitality of the group.

If the traditional recurring periods of business stress are to be avoided or mitigated, then we must inevitably be deprived of the salutary elimination of unhealthy tendencies which spring up during expansion movements. Instead of permitting the sick, the maimed and the injured in our business communities to die under the Spartan rule that is traditional with commercial activity, we are now providing sanitariums of cheap capital and hothouses of artifically sustained markets for the feeble units of business. This factor is of special interest to investors and bankers, because both have come to look on business recessions as threshing machines to conveniently separate for them, the wheat from the chaff. To survive a period of "controlled recession" in business is not the same test for a weak corporation as it would be to survive a period of unchecked and perhaps more violent depression.



In a broad general way, this is one of the unfavorable influences that may develop from the present experiment to make industry less susceptible to depression. After all some price must be paid for the immense advantage that would result from any success in making American industry panic-proof. It is certainly worth carrying along a few lame companions in order to avoid any serious interruption in the march of industrial progress. The point is frankly a generality. It is concerned with something that may conceivably arise from the present experiment but which has not as yet shown much tangible evidence. There are few, if any, of the important companies which are suffering from some chronic economic disease, but which are being sheltered by the nation's new scheme to avoid industrial depressions.

Encouraged Excesses

There are, in addition, however, some important tangible factors which are asserting themselves in a manner that is not entirely favorable in their ultimate effect on business. In an effort to dissipate some of the heavy gloom which lingered after the stock market break last fall, a great many optimistic utterances have emanated from Washington and other centers within the past six months. These advices were intended to replace a psychology of fear with a feeling of hope in order that businessmen might not adopt too drastic measures of retrenchment. In some cases, however, particularly in the production of readily consumable goods, it might have been wiser to apply the brakes. Such industries find their markets under a good deal of pressure because of the existence of an over-abundant supply for a market greatly restricted in purchasing power.

The automobile and radio manufacturing industries might be quoted to illustrate this point. Production schedules were sustained on early hopes that might not have existed but for the widely advertised and highly encouraging Washington conferences. Competition, already keen, became even more intensive and costly. Gross sales in some instances were sustained astonishingly well under the circumstances but at the expense of net profits. When the production schedules were later forced to reduction, the cuts were all the more severe and expenditures on distribution had drained on the reserves of the leading companies — reserves which might better have been held intact for a more favorable marketing condition.

Fortunately, these industries have bravely faced their problem of overproduction and have already checked many unhealthy tendencies that crept in under the stress of unusually severe competition, but the first quarter earning statements tell the full story of the cost of this procedure. Other industries, not so sensitive to marketing conditions, may still have their adjustments before them—this in spite of the precautions from Washington against unwarranted production of consumable goods.

In the Face of Cheap Money

Another result of the prosperity conferences is the existence of a comparatively well sustained level of wages with an unusually low level of money rates. A high cost for labor and a low cost for capital is favorable for the present scheme of business stability that is sought by these conferences. But what will be the ultimate effect of such a condition? Some of the more foresighted observers fear that this will lead to the substitution of capital, while it is cheap, for labor, as long as it is dear, through a more intensive mechanization of industry. The replacement of the laboring man by the machine has already contributed much to the present crisis. If allowed to swing to the proportions that former business cycles have experienced, the recession would undoubtedly end up in a phase where labor costs are considerably reduced and capital costs increased. Painful as such a process would undoubtedly be for both capital and labor, it would tend at least to slow up the tendency to substitute the machine for the wage earner.

Related in some measure to the above factors, yet worthy of separate consideration, is the effect of prosperity "control" on the commodity price situation. Commodity prices represent the purchasing power of the dollar. Normally, credit conditions would have a direct effect on the price level. When credit is abundant, commodity prices have a tendency to rise and the purchasing power of the dollar falls correspondingly. In the present instance, commodity prices started to fall off in the late summer of 1929, when credit was far less plentiful that it is at present. During the past six months of easier credit conditions, however, the trend of commodity prices continues irregularly lower. The purchasing power of the dollar is continuing to rise in spite of a sustained wage level and plentiful supplies of credit.

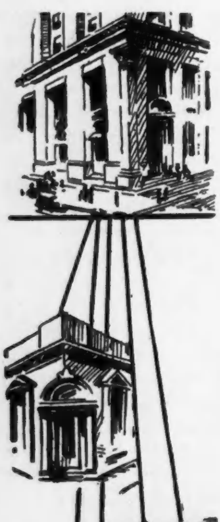
The price situation, in other words, has not been helped by the current movement to stop the swing of the business pendulum. In fact some economists declare that the fall of commodity prices has been aggravated by the attempt

(Please turn to page 234)

Group Banking to the Rescue

With 5,640 Bank Failures in Small Communities There Is a Need for More Stabilized and Stronger Banking Institutions

By THEODORE M. KNAPPEN



AS a whole the year 1929 was perhaps the most prosperous in the history of the United States.

Yet in that year there were 640 bank failures—about two for every business day. In the first seven weeks of 1930 there were 155 failures—nearly four a day.

In the past nine years there have been 5,640 bank failures, involving a billion and three-quarters of deposits and bringing hardship, sometimes ruin, to 7,264,957 depositors and 114,000 shareholders. The overwhelming majority of these collapses have been in communities of less than 10,000 population. Important areas, even whole rich counties, have lost all their banks, and the narrowing field of the independent bank is such that it has become doubtful whether a bank of less than $100,000 capital can longer be profitable.

The significance of these failures may be judged from a considered statement of the comptroller of the currency that they were more detrimental to the welfare of the nation than any part the present banking system may have had in contributing to the stock market boom and the subsequent collapse of last fall. That they persist in good years and bad is indicative that there is something radically wrong with the American banking system as it operates in smaller communities, which is essentially that of small independent banking units.

Congress, through the committee of banking and currency of the House of Representatives is now considering the problem of how legislative action may contribute to the cure of the economic disease that is working such havoc. Particular attention is being given to three changes now going on in natural response to the deplorable situation. These are branch, chain and group banking.

The branch banking system prevails in all other important commercial nations, but in the United States its extension has been hampered, from fear of centralization and monopoly of banking resources, by prohibitive or restrictive federal and state laws. Until recently national banks could not even establish branches in the same city. Now they may have them within the same city if state banks have that privilege. Also, the law now authorizes the nationalization of state banks having branches acquired before the passage of the McFadden Act, and national banks are permitted to retain branches arising from consolidations. Nine states permit state-wide branch-banking, ten within limited areas; twenty-two states prohibit branches and seven have no laws relating to branch banking. There has been a considerable extension of national branch banks since the passage of the McFadden Act in 1927. Of the grand total of 28,192 banking offices in the United States at the end of 1929, of which 3,547 were branches, leaving 21,839 independent unit banks and 2,806 banks that belonged to chains or groups, some of which were also branch banks. Altogether the branch, chain and group banking offices totaled 6,352 and had a total of loans and investments of about $30,000,000,000, or something more than half the entire bank resources of the country, of which $12,500,000,000 was in group and chain banks.

As contrasted with this showing, the unit bank doing a general banking business has entirely disappeared in Canada, where ten banks

with 3,966 domestic branches control general banking. The three largest banks have 2,219 branches and $2,500,000,000 of the total assets of $3,500,000,000. In the British Isles the unit bank has practically disappeared, and of the 42 branch bank systems "the big five" have two-thirds of the bank branches and 67 per cent of their assets. There are several hundred banks in Germany but consolidation is rapidly progressing, and four banks control 42 per cent of the aggregate assets of the hundred largest.

The unit bank is fading out of France, where four banks with branches now control half the commercial banking of the country, with a large part of the rest in the control of smaller branch banks, leaving little for the two or three thousand purely local banks that still survive.

The government of Japan fosters branch banking and the total number of banks declined from 2,156 in 1913 to 1,163 in 1928.

The term chain banking until recently has been used in the United States to designate any affiliation of banks under some sort of centralized ownership outside of branches. But the rise of what is called group banking within the last two or three years has led to a restriction of the term "chain banking" to the control of a number of banks by an individual, a group of individuals or a family. Chain banking is not generally considered a radical departure from unit banking, and the failure of all the banks in some chain systems has given rise to a desire on the part of those interested in the later form of affiliation to differentiate it as group banking. Such a system may be described as one that centers around a city or metropolitan bank. It in turn falls in two classes, as follows:

1. The group is controlled by a holding corporation, which generally originates with interests connected with one or more strong banks.
2. Control of the group of banks is held or exercised by a principal bank through direct ownership of stock of the lesser banks or by the stockholders of the principal bank.

The heavy toll taken in small bank failures and the growing demands of business men for more extensive and more flexible banking, are two independent forces which are forcing drastic changes in the country's banking practice. Three systems are on trial—branch, group and chain banking. Which is to be most desired by the business man, banker and investor?

Chain Banks

Of these three types the chain bank system, proper, has been long a factor in American banking, but it does not appear to be gaining and is likely to decline hereafter in view of the tendency toward the formation of affiliations that will strengthen the unit, which chain banking does not appear generally to have done.

While it has been urged in favor of chain banking that theoretically it does add something to the strength of the individual banks, in general practice it has been merely a means for individuals or groups of individuals to extend their banking investments. It is true that the different banks of such a chain may have the benefits of outside control and supervision, and of assistance in emergencies; but, on the other hand, this common bond has sometimes been a source of weakness if not of disaster for the entire chain. The chain may be no stronger than the common owner, and his misfortunes may involve his banks. The chain bank is not regarded by public banking authorities or by financiers generally as in any important degree a solution of the problem posed by the weakness and inadequacies of the unit banks, especially those of small cities and villages.

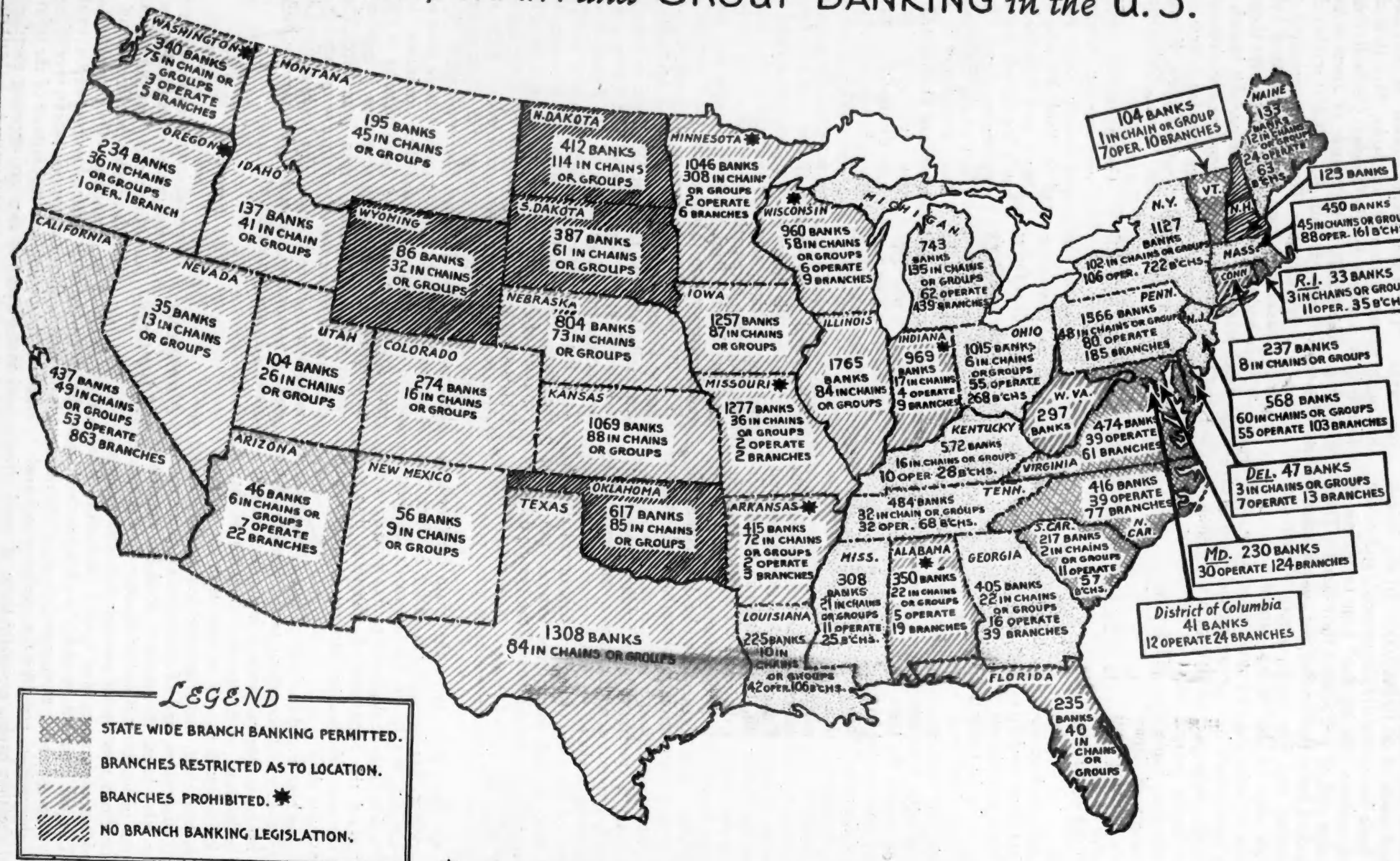
The statistical division of the Federal Reserve Board lists seven principal chains with from 12 to 71 member banks. The Otto Bremer chain of St. Paul, is first with respect to number of banks, 71. It is closely followed in numbers by the Rogers Caldwell chain of Nashville. The leader in the matter of assets is that of the Foreman family of Chicago, with 270 million dollars of loans and investments. These seven principal chains include 251 banks with loans and investments of 500 million. Chain banks as well as group banks have their principal development in the states that prohibit branch banking and may therefore be considered as the alternative in those states for a regular branch banking system. They flourish mostly in Minnesota, North Dakota, Kansas, Illinois, Iowa, Oklahoma and Texas.

Group banking, proper, is a very recent development, spectacularly so in the cities of St. Paul, Minneapolis and Detroit and their trade areas, but it has already gained such proportions that Governor Young of the Federal Reserve Board describes it as a major movement in our banking system. It is more than that—it is the major trend of the day. Between June and December, 1929, there was an increase of 201 in the number of chain and group (mostly of the latter) banks in nine states where the movement was the most marked, Minnesota and Michigan alone accounting for 96. Among the principal group corporations that have so far developed are the First National Bank Stock Corporation and the Northwest Bancorporation, Minneapolis; the Guardian Detroit-Union group, of Detroit; the First National-Peoples Wayne County Group, of Detroit; the Marine Midland Corporation, of Buffalo; and the First Wisconsin National Group, of Milwaukee; the First National Old Colony, of Boston; the Transamerica Corporation, of San Francisco and New York; the Anglo-American Corporation, of San Francisco; the First Securities Corporation, of Syracuse; the First National, of Atlanta; the Southwest Corporation, of Tulsa; Oklahoma; the Old National Corporation, of Spokane; the First Security Corporation, of Ogden, Utah; the First Seattle Dexter Horton group; the Bancorporation, of Seattle; the First National Bancorporation, of Portland Oregon. Some of these new groups, notably those of Minneapolis, have already extended their operations far beyond state lines and even beyond the boundaries of Federal Reserve districts. Each of these groups is centered around one or more metropolitan banks, from which they derive their names, which took the initiative in forming the holding company in each case. The holding company always owns a majority of the stock of the member banks and in some instances practically all.

Numerous Advantages

The most interesting and most significant of the group bank developments is that of Minneapolis, not only because of its rapid advance but because of the aims and motives of its organizers. They frankly declare that the group system is preferable in America to the branch bank system, that it is the only sound way of immediately meeting the decline or disappearance of the country banks, and that through it they are opposing the domination of their region by eastern or foreign banks. In their opinion

BRANCH, CHAIN *and* GROUP BANKING *in the* U.S.



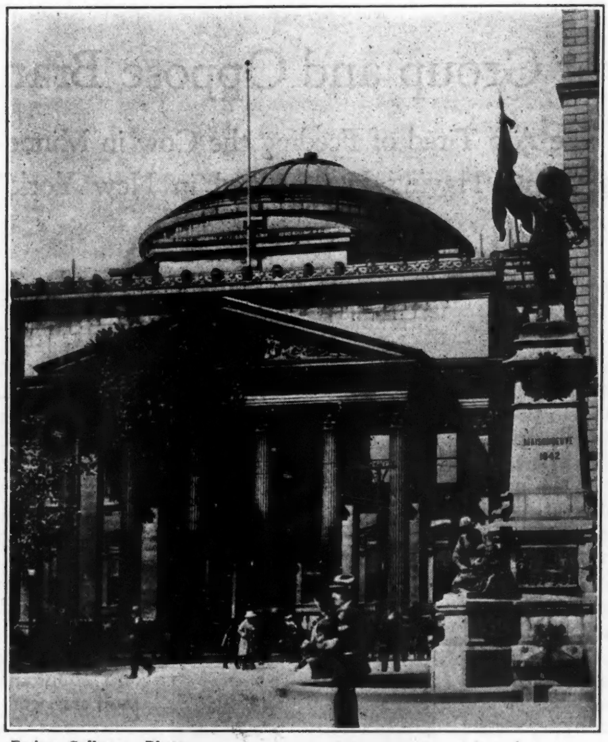
* *IN SEVERAL STATES WHERE BRANCH BANKING IS NOW PROHIBITED, BRANCHES HAD ALREADY BEEN ESTABLISHED BEFORE ENACTMENT OF SUCH LEGISLATION.*

regional group banking is preferable to branch banking because it "preserves many of the ideals of American unit banking," will check undesirable banking consolidation and monopoly on a national scale, has all the advantages of branch banking and yet retains the local unit bank, with its local management, interests and individuality.

Except in the case of a bank that requires reorganization, the method of procedure in taking a bank into one of the Minneapolis groups is simply that of the exchange of stock in the holding company for that of the local bank at an agreed upon ratio. Ordinarily the local directorate and management remains unchanged and receives representation on the board of the holding company.

In the case of the Northwest Bancorporation only 30 of the 126 directors are residents of Minneapolis. While it is true that the local shareholders have given up corporate control of their bank and may be deposed it is also true that they have entered into what is a regional co-operative group that is not dominated by the parent bank.

The advocates of the group plan like to use the adjective *co-operative* in describing it. The member banks feel that they are co-operators in a big regional banking enterprise made up of unit banks—an organization that is, they contend, radically different from that of a branch bank, with its headquarters distant, aloof; its management in the hands of a mere clerk, usually sent out from headquarters, instead of being in the hands of a local directorate which will continue to run the bank from the standpoint of community welfare. In fact, they argue, they are more of a local institution than ever, because by reason of their new affiliation they can give their community banking accommodations of various sorts and degrees that were formerly impossible. Moreover, they seem to have restored confidence in banks in a region where by reason of many failures of small banks many people have ceased to entrust their funds to banks, local savings are again available for local financing, regional savings are kept in the region, and the group is able to handle directly or through auxiliary organizations financing of a magnitude that formerly had to be taken to Chicago or New York. It is asserted that throughout a region where the bankers, as well as the people, are solidly opposed to branch banking the local banks are clamoring to get into the groups. To meet the requirements of small towns that are without banking facilities it is suggested that the group bank of that locality might well have branches.



Ewing Galloway Photo

Home of the Bank of Montreal, Canada's Largest Bank. It Has 650 Domestic Branches. The Canadian Bank of Commerce Has 800.

The combined resources of the two Minneapolis groups composed of 181 banks located throughout the Ninth Federal Reserve District and even beyond its boundaries, approximate $900,000,000, and they have united so many member banks of that Federal Reserve District that they could, if they desired, control the board of the Minneapolis Federal Reserve Bank.

If, as seems possible, the metropolitan banks of other regions, follow the example of the Minneapolis-St. Paul banks and set up large groups in their respective regions the movement for the general introduction of branch banks may be held up. "In the absence of government permission for branch banking in the true sense," says J. W. Pole, Comptroller of the Currency, "present developments indicate that group banking, under the force of economic law, may eventually displace the present system of country unit banks." Nevertheless, Mr. Pole favors the extension of the branch banking privilege of national banks, but he would confine the operations of each bank to the trade area of the city in which the central office is located.

"Because of more direct concentration of responsibilty," says Mr. Mellon, Secretary of the Treasury, "I believe that branch banking is on the whole sounder than chain or group banking, but that even branch banking should be limited to definite economic areas." Pending further study of the situation such as the Committee on Banking and Currency is now conducting, he recommends that further extensions of group and branch banking "should proceed with moderation." Both Messrs. Mellon and Pole evidently think that group banking, being conducted through a holding company of corporatively independent banks, does not insure a full measure of stability to local banks.

The investment phase of the group systems is worthy of notice. In addition to exchanging holding company stock for bank stock, the groups pursue a policy of taking in new local stockholders, so that the number of investors in a group is greater than that of the former shareholders of the individual banks. Stock in the holding company has a wide market and may be instantly disposed of, whereas stock in a local bank is frequently a stiffly frozen asset, if not a liability. Dividends are assured, tied up capital becomes mobile, and the scope of investment interest of thousands of local capitalists is greatly widened.

In whatever way it comes about it is now apparent that the United States is at the beginning of an inevitable re-

organization of a banking system, or custom, whose weakness has been so demonstrated in recent years that it has been asserted before the House Committee that fully 50 per cent of the rural distress in certain regions is due more to bank failures and incompetencies than to basic economic causes.

The evolution of the banking business has weakened the small rural bank through the restriction of its activities and the diversion of patronage to city banks. The pronounced crippling of banking facilities that has resulted from this cause and the thousands of suspensions, and the disinclination of capital to undertake further ventures in isolated rural banks present a practical necessity that will tend to overcome the historic American prejudice against centralized banking. It is noteworthy, however, that there is practically no demand for general branch banking, such as other countries have. The prevailing idea is to limit branch banking to well defined trade areas, which would not necessarily be the same as those of the Federal Reserve districts. In Canada the two cities of Toronto and Montreal dominate the banking of the nation, their banks having branches in the remotest hamlets. Public opinion would not tolerate the blanketing of the United States with branches of New York and Chicago banks. A regional branch-banking system would meet every requirement of the situation raised by the break-down of unit banking in the smaller communities. But even that degree of departure from unit banking will be stubbornly resisted by bankers and others outside the large cities. And before Congress acts the necessities of the situation may have been met by group banking to such an extent that even regional branch banking may not go far. But in one way or another the advantages of large scale banking cannot be much longer denied to localities and industries that in the total loom large in national commercial life. Like it or not, small communities must have big banking and the big banks need the small community.

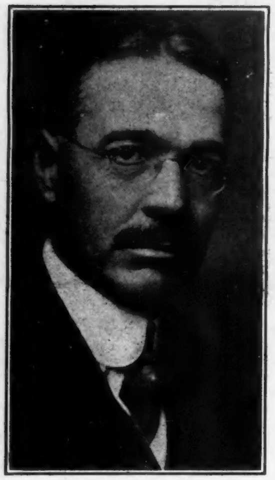
Why I Favor Group and Oppose Branch Banking

"We Are Tired of Feeding the Cow in Minnesota and Having Her Milked in New York"

By E. W. Decker

President, Northwest Bancorporation and the Northwestern National Bank, Minneapolis, Minn.

FOR 150 years this country has operated under a system of unit banks. I believe it was the best that we could have had for the development of a country that is so vast and so diverse in resources and in the unique problems that confront different regions. But it has become apparent today that, with 25,000 individual banks, the unit system alone has become absolutely inadequate to take care of the banking requirements of the country. No better evidence is needed of the validity of this statement than the enormous number of bank failures which are taking place. What we now need is a banking system that will retain the advantages of the old unit system and acquire those of the branch banking system without the drawbacks of the latter.



E. W. Decker

Let me give an instance or two of the collapse of the system of isolated unit banking: Take a certain county in North Dakota, a county with good soil and a good class of farmers. In 1919 there were 26 banks in this county; 21 out of the 26 are closed. The total deposits of the 26 banks, in 1919, were $5,665,000. The deposits in the remaining 5 banks are $717,000. What do you think happened to the farmers of this county? Would it have made any difference to them if they had received ten or fifteen cents a bushel more for their wheat? You might as well have allowed a cyclone to roll across the county as to have permitted such a banking situation to exist.

During the ten-year period from 1919 to 1929, 1,517 banks were closed in our Federal Reserve district. They had between three and four hundred millions of dollars of deposits, and their failures caused loss to a class of people who could least afford to lose it. Throughout the United States, as a whole, closed banks tied up a billion and a half of deposits. Keep in mind, too, that the farmer depositors in those banks not only lost their money, but the borrowers were approached by the receivers and compelled to pay up, forcing them, in many instances, to sell their live stock, thus depleting their capital investment and simultaneously taking away their most important sources of revenue. The Northwest Bancorporation, was organized to deal with this situation by stabilizing banking conditions and by providing banking services to many communities handicapped by lack of adequate service.

There are other sound reasons for the growth of strong banking organizations in this territory. Consolidations are taking place in every important line of business and, as business enterprises grow into stronger units, increased banking facilities are necessary. Big business is going to grow, and you cannot take care of big business without big banking capital. It makes no difference whether you like the idea or not. So we have attempted to set up in our district what is actually a cooperative system of banking. It is the only way I know of keeping our own territory independent of outside influence and preventing outside banking organizations from coming in and creating a monopoly. We felt that a group of

(*Please turn to page 216*)

How will the new tariff wall affect individual industries?

Will retaliatory measures of other countries seriously alter the trade position of leading American companies?

The New Tariff Affects Your Investments

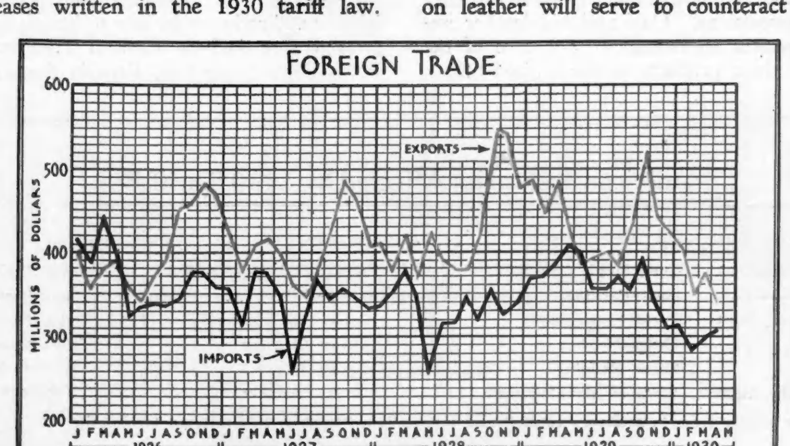
By W. B. K. Dove

THE Hawley-Smoot bill of 1930 sets a new high record in American tariff history. Never before has the "free list" been so aggressively and successfully raided, and in none of the numerous revisions of the past 141 years have so many articles received such an unmistakable boost to new high levels. In fact, precedent appears to have received but scant attention in the frenzied efforts to construct a larger and stronger tariff wall—one which not only rises to new peak heights of protection, but at the same time casts a menacing shadow on the recent very promising development of America's export trade.

The general level of rates under the 1930 tariff is raised to approximately 41 per cent of the value of all dutiable imports. This represents an increase of some 20 per cent over the Fordney-McCumber tariff act of 1922 and nearly 100 per cent above the rate level in the Paine-Aldrich bill of 1913. Not only does the general average of rates attain a new high record under the Hawley-Smoot schedule, but the main burden from the practical standpoint of the consumer is placed upon the commonest necessities of life —including food, cheap clothing, household goods and furniture—while the higher grade and so called "luxury" articles get by with little or no additional burden.

Take the case of four major items in the budget of nearly every family—beef, shoes, wool and sugar. Conservative estimates place the total annual cost to the American consumer at over $1,000,000,000 on these four items alone, with some $440,000,000 of this huge burden attributable to the increases written in the 1930 tariff law. Translated into terms of the average consumer's family, the total tariff tax on beef amounts to $14.40 annually; on shoes to $7.50; on wool to $6; and on sugar to $12.25—or a total annual burden of around $40.15 per family.

What are the compensating factors that justify such an annual burden on the individual consumer? Most certainly there are some, or no such eagerness to impose an additional tax by the people's own representatives in Congress would exist. The solution of this perplexing problem lies in an analysis of the particular industries most affected—in a study of the amount and extent of foreign competition and the economic problems peculiar to each individual industry.

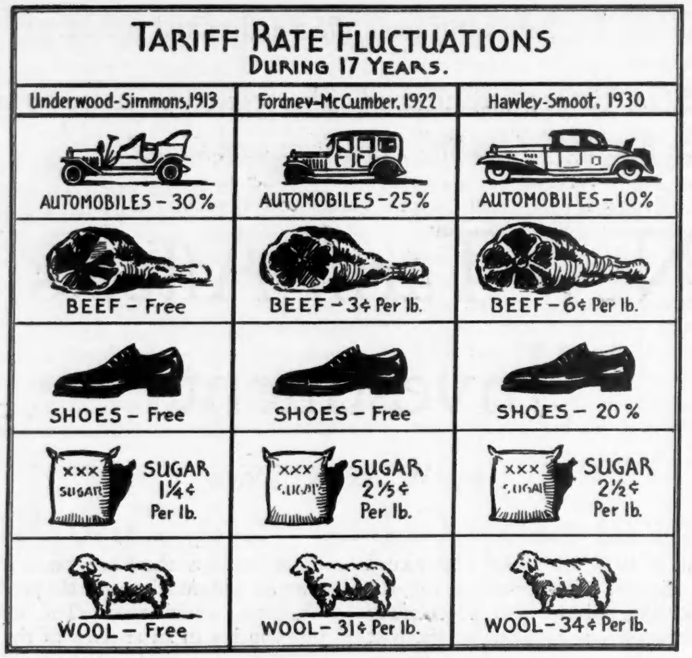


The 1930 Tariff and the Leather Industry

Leather has been on the free list since 1913 and is one of the most important basic commodities to receive tariff protection under the provisions of the Hawley-Smoot bill. Up until the time of the Harding administration, when the subject of a tariff on leather came up for lengthy consideration, the imports of foreign leather had not been a serious menace. In consequence, the tanners did not put up a very strong fight: and in addition, there was always the threat that along with any protection afforded to leather must also come duties on hides and raw calfskins. But now the situation is radically different, with a damaging flood of imports heavily concentrated upon specific types and grades of leather. Total imports of leather in 1929 were $44,559,116 or nearly 161 per cent higher than in 1924; while imports of leather manufactures totalled $41,563,220, representing an increase of over 241 per cent compared with 1924.

The 10 per cent duty on hides and the 15 per cent tax on leather will serve to counteract this clearly evident flood of foreign competition; but it will greatly increase at the same time the raw material costs for the shoe manufacturers. To be sure, a 20 per cent tariff on shoes will partly compensate for this increased manufacturing cost, but in the long run the public, as is usually the case in such increases, will be asked to accept the burden in the

form of increased shoe prices.



Turning now to some of the probable effects on specific companies in the industry, it is important to consider the nature of the leather manufacturing process. Tanners necessarily carry large stocks in process, and while the upper leather tanning process is a much shorter one than the months required for heavy or sole leather, nevertheless a considerable period must elapse from the time the upper leather tanner contracts for his raw skins until the product is marketable as finished leather. Among the first effects likely from the addition of a leather tariff is a firming in the price of leather, as the shoe manufacturers and others attempt to provide for their requirements at the old pre-tariff price level. This has an effect temporarily at least, of enhancing the value of the heavy inventories the tanners already have on hand.

The group of tanners in the most favorable position, as a result of the new tariff, are the goat-skin or kid leather manufacturers, since goatskins will come in free of duty and goatskin leather receives a 15 per cent protection. Since the war the exports of kid leather from this country have decreased by around 50 per cent. European manufacturers have been able to "dump" their higher grades of kid leather in this country free of duty, and sell their medium to lower grades at home. Lower production costs from the large volume of business carried on by this procedure have been superimposed upon the already low European labor costs.

American kid tanners, such as the *Amalgamated Leather Companies, Inc.*, who use a large proportion of the higher types of goat-skins and produce the better grade leathers similar to the German and French imports, stand to benefit rather materially.

American Hide & Leather is an important producer of calf and kid leather and also stands to benefit substantially from the new tariff provisions. Calf and kid leather imports have been equivalent to around 40 per cent of the annual production of these products in the United States, and with American Hide & Leather Co.'s "Willow" leather brand well established, the benefits from the increased tariff protection should make themselves felt in short order.

United States Leather Co. should benefit to a considerable degree, but less so proportionately than Amalgamated Leather Companies, Inc., since United States Leather Co. is primarily a tanner of sole, belting and harness leather. The president of the company made a very strong plea for free hides, feeling that the only industry to benefit from a hide tariff would be the packing industry. Looking at the situation from an immediate future standpoint, however, United States Leather Co. is in a particularly favorable position to reap a golden harvest from any rise in hide prices attributable to the near term effect of the new tariff. The very nature of the sole leather producing process requires a large in-process inventory, and United States Leather Co. could easily stage a substantial inventory appreciation.

Official figures of the U. S. Census Bureau reveal that there are 147,000 farms in the United States producing sugar and syrup crops, and that they represent less than 3 per cent of the 6,371,000 farms in the country. It is estimated that the American beet and cane producers supply only about 18 per cent of the domestic demand; and that of the balance, Cuba supplies 50 per cent and our island possessions the remaining 32 per cent. From an analysis of these figures it is evident that in order to give the 147,000 beet and cane raisers in this country and those in Porto Rico, Hawaii and the Philippines an annual protection amounting to around $51,000,000, the Hawley-Smoot bill places a yearly burden on the consumer amounting to around $306,000,000 for Cuban sugar used.

Hard though this may seem on the individual sugar consumer, it is a very definite gain for the American sugar industry. Producers in line to benefit as a result of the increased rate include Central Aguirre Associates, South Porto Rico Sugar Co., Fajardo Sugar, Godchaux Sugars,

American Industries Affected by 1930 Tariff Bill

Favorably		Unfavorably	
Beet & Sugar Growing	Long Staple Cotton	*Agricultural Equipment	*Farm Products (wheat, corn and barley)
Cement	Meat Packing	*Automobiles and Trucks,	*Office Equipment
California & Florida Fruit Growing	Porto Rican Sugar	Candy Manufacturing	Shoe Manufacturing
Fruit Canning	Sheep Herders	Cheap Clothing	Woolen Manufacturing (cheaper grades cloth)
Leather (particularly Kid)	Sugar Refining	Cuban Sugar	
	Worsted Manufacturers	Dairy Products	

*Unfavorable effect largely from "retaliatory tariffs" and international reaction to American tariff bill.

Inc., and the two large beet sugar producers, American Beet Sugar and Great Western Sugar.

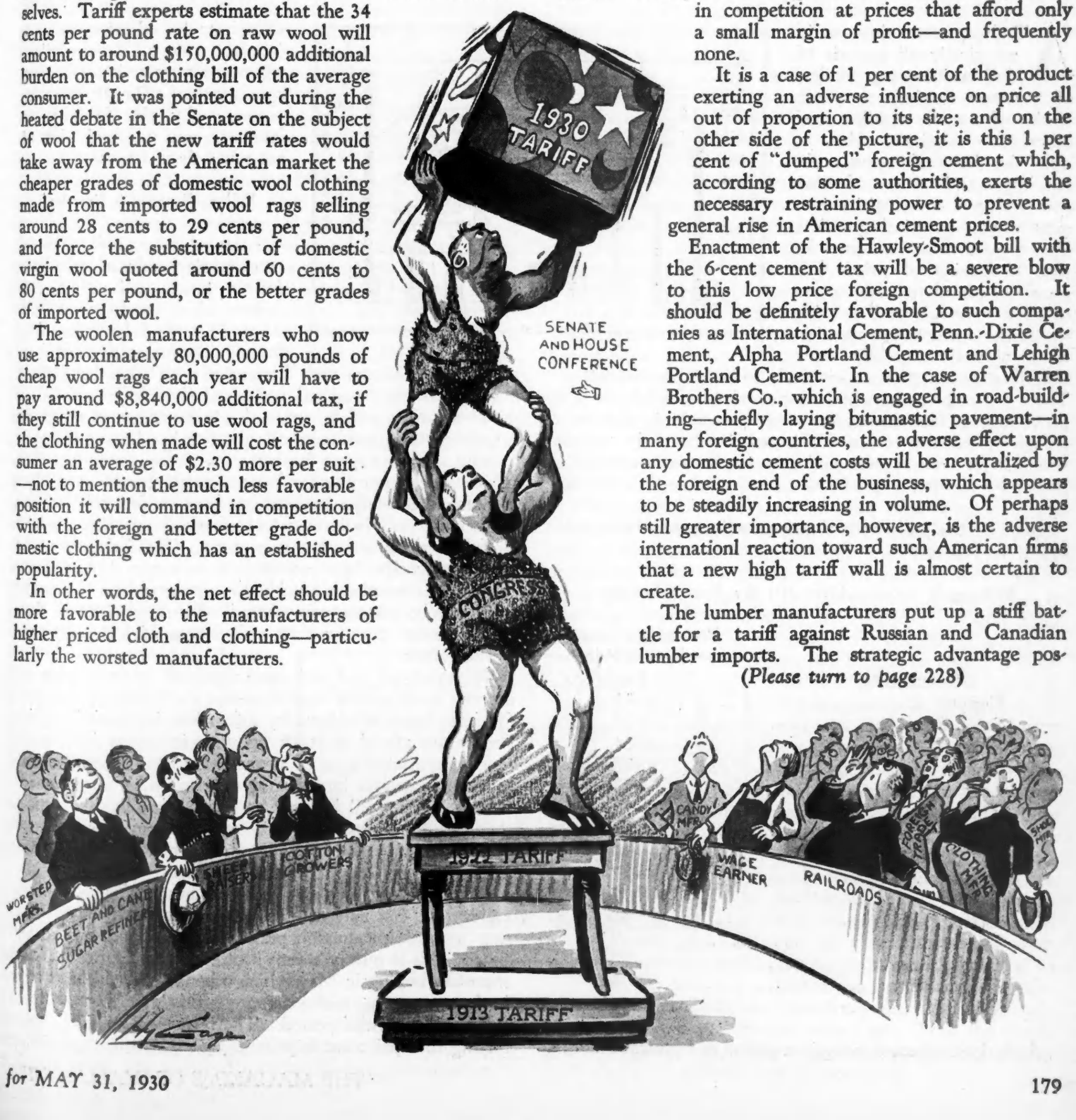
A tariff on Cuban sugar of 2 cents per pound will also benefit to a certain extent the large American refiners, although their chief interest in the tariff problem is the so-called "refiners' margin"—i. e., the difference in rate between the low grade unrefined sugar and the price of the refined product. Just at present, with world stocks of sugar at excessively high levels, sugar prices are abnormally low; and any effect that the new tariff may exert in the direction of firmer prices will work to the advantage of such refiners as American Sugar and the National Sugar Refining Co. of New Jersey. The chief beneficiaries under the new two-cent tariff, however, are the producers of raw sugar previously mentioned—both American and Porto Rican, the latter because their crop is admitted duty free.

Worsted Industry Favorably Affected

The probable effect of the new tariff bill on the purchase price of clothing is perhaps more far reaching than the effect upon the woolen and worsted industries themselves. Tariff experts estimate that the 34 cents per pound rate on raw wool will amount to around $150,000,000 additional burden on the clothing bill of the average consumer. It was pointed out during the heated debate in the Senate on the subject of wool that the new tariff rates would take away from the American market the cheaper grades of domestic wool clothing made from imported wool rags selling around 28 cents to 29 cents per pound, and force the substitution of domestic virgin wool quoted around 60 cents to 80 cents per pound, or the better grades of imported wool.

The woolen manufacturers who now use approximately 80,000,000 pounds of cheap wool rags each year will have to pay around $8,840,000 additional tax, if they still continue to use wool rags, and the clothing when made will cost the consumer an average of $2.30 more per suit —not to mention the much less favorable position it will command in competition with the foreign and better grade domestic clothing which has an established popularity.

In other words, the net effect should be more favorable to the manufacturers of higher priced cloth and clothing—particularly the worsted manufacturers.



Assuming that the tax of 6 cents per 100 pounds on cement is finally agreed upon, as now appears likely, it is estimated that an additional cost of between $700 and $800 will be added to each mile of cement highway in this country constructed with foreign cement. The building industry, with its heavy demand for cement, will also feel the effect of increased costs—and at a time when every effort is being exerted to stimulate construction activity in order to help American business in general.

From the Senate chamber, in the course of the debate on cement, came numerous charges of "price agreements," "uniformity of cement prices over large areas" and "monopoly" pervading the domestic cement industry. Without debating either side of this situation, the fact remains that the European cement industry—and the Belgium manufacturers in particular—constitute a thorn in the side of the American industry. Imports last year into the United States totalled 1,700,000 barrels of cement, compared with a domestic production of around 170,000,000 barrels. But it is this diminutive 1 per cent produced under abnormally low wage labor conditions that threatens the American cement industry and forces producers to offer their product in competition at prices that afford only a small margin of profit—and frequently none.

It is a case of 1 per cent of the product exerting an adverse influence on price all out of proportion to its size; and on the other side of the picture, it is this 1 per cent of "dumped" foreign cement which, according to some authorities, exerts the necessary restraining power to prevent a general rise in American cement prices.

Enactment of the Hawley-Smoot bill with the 6-cent cement tax will be a severe blow to this low price foreign competition. It should be definitely favorable to such companies as International Cement, Penn.-Dixie Cement, Alpha Portland Cement and Lehigh Portland Cement. In the case of Warren Brothers Co., which is engaged in road-building—chiefly laying bitumastic pavement—in many foreign countries, the adverse effect upon any domestic cement costs will be neutralized by the foreign end of the business, which appears to be steadily increasing in volume. Of perhaps still greater importance, however, is the adverse internationl reaction toward such American firms that a new high tariff wall is almost certain to create.

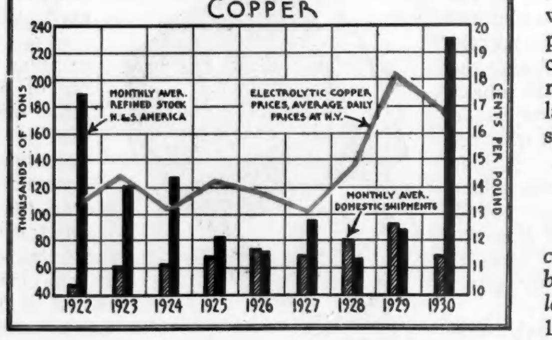
The lumber manufacturers put up a stiff battle for a tariff against Russian and Canadian lumber imports. The strategic advantage pos-

(*Please turn to page 228*)

Price Slashing No Cure for Dull Business

Price Cuts in Numerous Leading Commodities Have Been Fostered by the Need for Broader Markets and More Active Demand. Can They Produce the Desired Result?—An Informative View of the Current Situation

By LIONEL D. EDIE



AT the present time, as in practically all periods of dull business, a great deal of attention is given to excess stocks of metals, textiles, and other basic materials. How to clear the decks of copper, rubber, sugar and a score of other overproduced commodities is a most urgent practical question. One popular notion seems to be that a slashing of prices will somehow stimulate consumption of these materials and so bring the stocks down to normal size. Such a notion grossly oversimplifies the situation and is likely to be highly misleading. There are only certain limited conditions in which it will prove true. *The correct economic principle is that in a trough of business recession price cutting has only a slight stimulus for consumption and exercises its main corrective power by restricting production until consumption catches up.*

Some of the more radical price declines may be viewed briefly as follows:

Wholesale Commodities Hit By Price Cutting

Commodity	Percentage Change, Recent Price From Year Ago
Copper	—31
Steel plates, bars	—10
Silver	—24
Tin	—28
Lead	—23
Zinc	—28
Rubber	—34
Silk	—17
Wool	—27
Cotton	—15
Coffee	—46
Wheat	— 7
Lamb	—37
Oil, crude	—39
Gasoline	—14

Such drastic cuts, coming in a period of business dullness, have been hailed by many as a welcome move, because low prices are supposed to stimulate consumption. There are many reasons why this hope is in large measure unsound. Let us see what these reasons are.

When Bottom is Reached

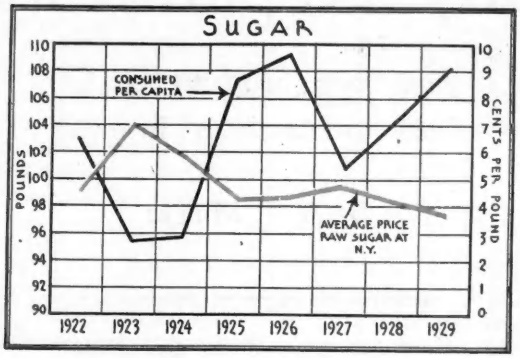
Lowered prices will stimulate consumption only when buyers believe prices will not go still lower. A drop of copper from 18 to 14 cents did not stimulate buying, because a further drop to 12 cents was expected. Buyers hold off until they believe bottom has been reached and until they believe the next move of prices will be upward. Softening steel prices do not take steel consumers off a strict hand-to-mouth basis as long as they expect further softening in the future. So price cutting in any of the basic materials is not a stimulant to demand until the *final* cut has been made, and until the market not only believes it to be final but also expects it to be followed by a reverse movement. This being true, the correct price strategy in most lines in a period of readjustment is to cut prices quickly to a point which the public knows to be bottom. Buyers will then tend to cover their future needs, because they will fear a higher price scale in the future.

The grudging and prolonged agony of prices sagging and dipping month after month means that business recovery, far from being stimulated by soft prices, is retarded thereby. People are afraid to stock up with inventory because tomorrow's market may be lower than cost. Manufacturers protect themselves by ordering only for their most immediate needs. It will be only as prices of individual articles show some firmness that forward buying in such lines will come back into the market. Rising prices lead to better profits and give a new tone to business.

A final cut in price may stimulate buying for the immediate present, but may not induce any increased consumption over a whole production period, such as, let us say, a full year. This is purely a time factor. A final price cut may stimulate buying in May which otherwise would have come in June anyway, without representing any increase for a full twelve months' period. The recent response of copper buying to a price cut is primarily of this character. Sellers

are often deceived by this mere shifting ahead of demand in point of time. Where they urgently need immediate cash, such shifting may help, but in any case they do not benefit proportionately over an entire fiscal period.

A price cut in raw materials, which is expected to be of short duration, is not likely to be passed along in the form of a corresponding cut in the retail price and so is not likely to stimulate consumption of the finished goods made from the given raw materials. The rapidity and degree of the passing along process differs greatly among commodities. During the current season, most of the materials used in motor factories have fallen considerably, but the retail prices of most makes of cars have either remained stationary or have actually risen. Such price cutting as has developed has mostly been of a sub-standard and sporadic nature. The price of silver has fallen about 25 per cent from a year ago, but one seeks in vain in retail stores for reduced prices of standard brands of silver plate, cutlery, etc. The final consumer of electrical equipment is not likely to see much benefit from the drop in copper prices.



There are various reasons for the non-responsiveness of retail prices in such a period. One is that the raw material cost is only a small proportion of the final price delivered to the consumer. In automobiles, for instances, probably all raw materials together are not more than 20 to 25 per cent of the price the final buyer pays. The other costs, such as labor, commission and overhead, are of a relatively fixed character. Another reason lies in the presumed temporary nature of the lowered price of basic materials. In the retail field, standard prices tend to be established by advertising or by custom. They cannot be changed by every gust of wind from the raw material markets without unsettling public psychology. Another factor is the desire of dealers to profiteer from the new profit margins thrown at their door-step. Hence, for one reason or another, retail prices strenuously resist the downward pull of the more volatile raw material prices.

These observations do not overlook the fact that price cutting in numerous retail lines has made its appearance this year. Bargain sales have appeared in department stores. Mail order houses have just announced certain reductions. Chain stores have marked some articles down. Nevertheless, the index of retail food prices as a general average is down only 2 per cent from a year ago and the general index of cost of living is down only 2 per cent. The lag in retail price readjustment is real this time as in previous similar periods.

Elasticity of Demand

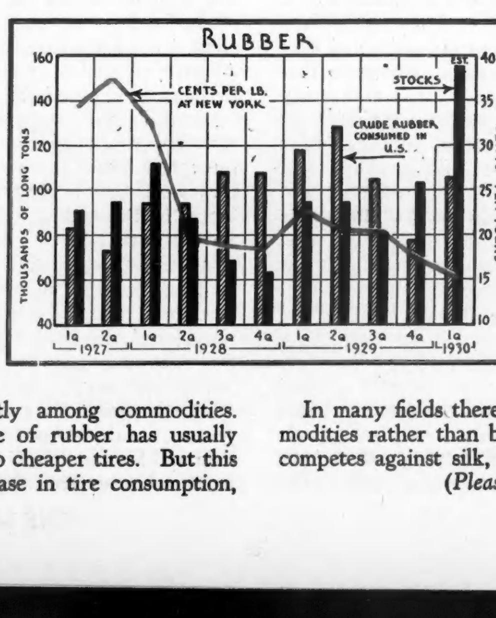
Even where the price cut lasts long enough to be passed on to the final consumers the effect upon demand differs greatly among commodities. For instance, a drop in the price of rubber has usually been transmitted fairly promptly to cheaper tires. But this does not mean any material increase in tire consumption, this being mainly fixed by the physical wearing-out of old tires and the rate of production of new automobiles. The price of rubber is such a small part of the cost of the complete car that over a period of a year or two, it has a practically negligible effect on the number of new cars bought. The same is true of petroleum. A cut in crude oil and in gasoline has very little effect on the requirements of motors, these being determined mainly by physical use of the machinery.

There are all degrees of elastic and inelastic demand in response to price cuts. For example, statistical studies seem to show that a wheat crop 10 per cent above normal can be moved into consumption only by a price some 20 to 30 per cent below normal. A cut of one or two cents per quart of milk in a typical large city has no perceptible effect on consumption. When the price of sugar is 5 cents per pound to start with, a cut of 1 per cent in the price will probably not stimulate per capita consumption by as much as one-half of 1 per cent. A reduction of cotton below 20 cents per pound apparently has an almost negligible effect on the consumption of the current year. On the other hand, a 1 per cent cut from average prices of pork, lamb or beef is likely to result in a consumption increase of 1.5 to 2 per cent.

Obviously, any rigid rule is out of the question. The elasticity of demand for each given commodity is the primary consideration. Certainly, for a substantial number of producers' goods, it requires a very sharp cut in price to evoke even a moderate gain in consumption. It is a safe general statement that, for the most of the raw materials now making up excess stocks, the cuts in price either will have a negligible effect on consumption over the year as a whole or if they do have an appreciable effect, that effect will be much less than proportionate to the price cut.

Temporary Advantage

The competitive character of price cutting often means that what one company or group of companies gains in the way of increased demand, another company or group of companies loses. For instance, when under present conditions one steel company cuts prices, the initial effect is merely to take business away from some other steel company. If thereafter all companies decide to meet the new price, the industry as a whole enjoys practically no increase of demand and suffers a decline of profit margin. Apparently there has come into the steel industry in this country a new wave of cut-throat competition. The mergers of late years have placed the competition on a scale between giants, and have let the industry in for a destructive competitive struggle which can do very little to stimulate consumption but a great deal to undermine profit margins.



In many fields there is a new competition between commodities rather than between companies. Thus the rayon competes against silk, sulphur against iron pyrites, copper

(Please turn to page 216)

Shall I Buy Reparations Bonds?

First Issue Soon to Be Offered to American Investors

By A. T. Miller

> *The flotation of the first of the Reparations bonds shortly forthcoming is an event of first importance in the investment markets of the world. Whether the individual has funds which he wishes to place in this issue or not, the broad effects of this issue make it a subject with which every investor should be familiar.*

TO the American investors who mobilized some 24 billion dollars in war loans during the World War, the placement of 80 million dollars of Reparations bonds must seem an insignificant piece of financing. Yet, in spite of the modest amount of this issue that has been allotted to the American investment market, this initial step in the mobilization of German reparations annuities, contributes as much to the success of world peace and reconstruction, as the billions of war loans contributed to our success in the late war.

It would be difficult to construct two pictures that would stand out in sharper contrast than the 1917 to 1919 war financing and the current offering of Reparations bonds. The earlier financial operation was planned for war, destruction and victory. Motivated largely by patriotism, billions of dollars were eagerly poured into the coffers of the Government. Security was never seriously considered; income return was largely a secondary consideration. Yet in the final count, these war loans proved to be eminently satisfactory investments.

A Peace Loan

Now the war has been ended some ten years and more. A large international loan is being mobilized for peace, rehabilitation and the economic security of the world. Germany, having lost the war, has accepted a reparations obligation which has a capitalized value of about nine billion dollars. This debt is payable partly in unconditional cash annuities, partly in additional reparations payments that are still subject to her ultimate capacity to pay and partly in annual deliveries of goods to the creditor nations. In the unconditional payments, a basis has at last been found for funding and commercializing part of Germany's war obligations. And it is this basis, mutually accepted and agreed upon by both debtor and creditors, that makes the flotation of the present issue of Reparations bonds possible.

The relation between the Reparations bonds and the mobilization of so many billions of dollars in this country during the war, while now of course remote, is a thought that nevertheless lingers in a discussion of the current international offering. It was never brought home very sharply to the individual investor who bought Liberty Bonds, that he was participating in a huge piece of international financing. Yet it was his funds that collectively helped to finance England, France and Italy, as well as some twelve smaller nations during and after the war. The present funded debts of the first three mentioned nations to the American government now amount to about 10.5 billion dollars against a total internal debt of the United States Government of approximately 16 billion dollars. These war debts of our former allies will be paid ultimately through the payments that they receive from Germany. These payments in turn will reduce our outstanding internal debt, correspondingly cut down taxes and in addition will release the capital which investors have placed in United States Government securities. But the collection of reparations from Germany presents some difficult problems, which can be eased considerably by commercializing the debt.

Banker and Debtor

In 1923, Germany's immediate capacity to pay war indemnities, reparations, internal or other debts was virtually paralyzed. The alternative that confronted Germany's creditors—the United States really being an ultimate creditor—narrowed down to repudiation of the obligations owed; collection by armed forces through seizure of territory or the financial rehabilitation of Germany. The latter course commended itself to the common sense of the creditor nations and was worked out in practical form through the Dawes Plan.

The Dawes Plan, essentially a tentative arrangement, was supplanted last year by the Young Plan, which definitely fixed the reparations obligation, funded a part of it, created the International Bank of Settlement to handle the transfer of credits arising out of this difficult reparations problem, and paved the way for the present plan to place reparations on a commercial basis. It is the old story of the banker putting the affairs of his hard pressed debtor into good shape in order to receive payment of the loan ultimately—all worked out on a huge international scale. Thus, in the end we come to Reparations bonds, having started with Liberty Loan drives which mobilized billions and made European war debts possible in the first instance.

It has been emphasized above how the original war dollars were raised under the emotional stress of bitter hostilities and the determination for victory. In contrast to this we now have the peace financing at hand, offered purely and simply as a business proposition, without the blare of trumpets nor the waving of flags. There are no posters, no drives, no committees and no speeches. Uncle Sam and his vast family of nieces and nephews with surplus funds to invest are offered a foreign loan, priced to corre-

spond with similar foreign loans in the current investment market, with the simple "take it or leave it" dignity of any other major piece of financing.

One Predecessor

The present Reparations bond offering has one predecessor—one might say, in truth, an associated loan—which is the Republic of Germany External Gold 7s due 1949, originally offered in connection with the adoption of the Dawes Plan and listed on the New York Stock Exchange. As to the international financial advantages and the national desirability of a successful flotation, Calvin Coolidge made the following public statement at the time of the 1924 loan:

"I trust that private American capital will be willing to participate in advancing this loan. . . . It will benefit our trade and commerce, and we especially hope that it will provide a larger market for our agricultural production. . . . Besides this, there is the humanitarian requirement which carries such a strong appeal, and the knowledge that out of our abundance it is our duty to help where help will be used for meeting just requirements and the promotion of a peaceful purpose."

Six years hence, the necessity for American participation in the Reparations Loan is just as great and the humanitarian appeal is just as poignant. Without question, the initial offering will be well taken up, for the amount is not unusually large in terms of contemporary financial operations and the bankers are straining a point in negotiations with foreign associates to arrange an attractive price for the allotment intended for the American investment markets. For the individual investor, therefore, it is not so much a matter of whether or not to invest in Reparations bonds, as it is a matter of being well informed on a current development of unusual interest and importance in the investment markets of the world.

The astonishing recovery of German industry, and the resuscitation of German currency and credit since 1923, has frequently been chronicled in this and other publications within recent years. At the low ebb, the German Government, its people and its industries were virtually paralyzed with the gold mark worth some 1,000,000,000,000 paper marks. In addition to its own huge internal debt, which was momentarily wiped out through the deflation of its currency, Germany originally faced claims filed with the Reparations Commission of the Allied Governments which totaled up to the preposterous sum of 125 billion dollars. This staggering figure was reduced subsequently to approximately 33 billion dollars by the Commission and, even then, the tentative schedules of payment set up in the Dawes Plan later came face to face with the realities of Germany's capacity to pay. In the final settlement of the vexing reparations problem, which the Young Plan provided last year, the valuation of German reparations was further reduced to approximately 9 billion dollars. In the meantime (and largely as the result of the earlier Dawes Plan loan) Germany's currency was restored; her industry revitalized through the capital which entered Germany after the Dawes Plan; and her people again began to enjoy a measure of prosperity. Under the control of Reparations Agent S. Parker Gilbert, revenues aggregating over 2.8 billion marks were apothecated last year for reparations payments and service on the Dawes Plan loan—a remarkable degree of progress over the utter financial paralysis that existed six years earlier.

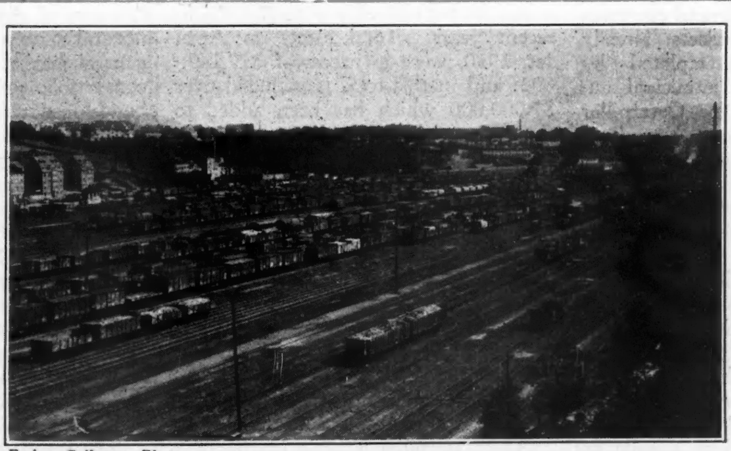
More to Come

The Young Plan now institutionalizes Germany's economic and financial recovery. Some features of the Young Plan have been subject of considerable controversy during the past years. Other provisions are still considered to be political and will possibly come up for further readjustment through diplomatic maneuvering in the years ahead. But there is one provision that has been safely removed from the realm of controversy and politics to the realm of a strictly commercial debt. This is the fixed annuity of 660,000,000 marks which Germany has agreed to pay unconditionally each year for 37 years.

This annuity is to be tendered directly to the Bank of International Settlements so that it may be "commercialized." It has been calculated that at least 550,000,000 marks of this unconditional annuity could be "mobilized" for international Reparations loans. Capitalized at 5½ per cent and allowing for sufficient amortization to retire the loan over the stated period of 37 years, these annuities could be capitalized at an amount of approximately a billion and a half dollars, if and when the investment markets of the world are favorable for the absorption of such a financial operation. The present issue of Reparations bonds is the first step in commercializing these annuities, amounting to 300 million dollars in the world's markets, of which some odd 80 million dollars is to be placed in the United States.

Thirty-seven Year Loan

To the layman, unfamiliar with such terms as the "commercialization of reparations" or the "mobilization of annuity payments," it may not seem quite clear how one set of international debts can be used as the basis for a still larger lump sum of international debt. Yet the Reparations bonds are just that. Perhaps the analogy between reparations payments and corporation financing might clear up this point. The gross income of any corporation is the result of the corporation's customers paying their debts. In other words, the debts of one man are the income of another. If the income of the corporation (realized through payment of customer's debts) is large and certain, then (*Please turn to page 227*)



Ewing Galloway Photo

Government-owned German railroads secure Reparations Bonds

CATERPILLAR TRACTOR CO.
Convertible 5s, 1935

Security of a Bond with Profit Possibilities of Stock

Sales Up Nearly 27% During First Quarter and Earnings Increase 53% Over Year Ago—Prospect Favorable for Continued Earnings' Gains—Interest Charges Covered More than 17 Times

By FRANCIS C. FULLERTON

IN sharp contrast with most industrial organizations, the Caterpillar Tractor Co. enjoyed an excellent first quarter's business—and of perhaps even greater significance, the outlook for the remainder of the year is unusually bright.

This company's products are well diversified and include harvesters, five sizes of tractors, road-building machinery and special equipment designed for logging, excavating and grading. Not only has the tractor end of the business been highly profitable in recent years; but with the extensive road-construction and building projects already under way and contemplated by government, state and municipal authorities, the demand for Caterpillar Tractor Co.'s products has been stimulated to new high levels—and gives every promise of continuing to grow as the year progresses, especially if general business stages a sizeable recovery.

The present Caterpillar Tractor Co. is an outgrowth of the former C. L. Best Tractor Co. and the Holt Manufacturing Co., both of which concerns established an enviable reputation through the production and sale of Best "Tracklayer" and Holt "Caterpillar" tractors, as well as a wide selection of highly specialized farm implements.

Caterpillar Tractor Co.'s Earnings Expanding Rapidly

Period	Sales	Net Income	Earned Per Share Common
1930 First Quarter Only..	$16,796,402	$3,365,832	$1.79
1929 Entire Year	51,812,461	11,600,446	6.16
1928	35,071,601	8,159,838	4.78
1927	26,928,089	6,015,327	3.79
1926	20,699,103	4,318,095	2.06
1925	13,785,247	3,244,842	2.00

The financial position of the company has been steadily strengthened in recent years. Total assets on April 1st, 1930, were in excess of $57,149,092; and in this total is included over $5,000,000 which has been added to the property account during the past year, after allowing for a generous depreciation reserve of $5,287,196. The item of goodwill, patents, etc., has been reduced to $1 during the past 12 months, against some $278,000 at the beginning of 1929. As a still further reflection of the ability of the management, inventories on April 1st, 1930, were only $15,239,006 compared with $15,100,273 a year ago—and this despite the fact that sales increased sharply in the interevening period.

The Caterpillar Tractor Co. has only one bond issue outstanding, and this was put out in 1930. These 5s of 1935 are particularly interesting at this time in view of the unusually ample coverage of interest charges, not only in 1929, but in each of the past four years; and especially on account of the very promising prospect for speculative profits opened up through the convertible privilege. The 5s of 1935 are convertible at any time up to April 1st, 1931, into common stock at $85 per share; and thereafter, at gradually increasing prices.

With the common stock actively traded on the New York Stock Exchange and selling currently around 76, with a high this year of slightly under 80, it would not take very much improvement in general market conditions to make this convertible privilege attached to the bonds of material value. From a purely theoretical standpoint, each single point rise in the price of the common stock above $85 would add $11.76 to the value of the bond—or about 1.8 points. From a practical standpoint, however, the value of the convertible privilege begins to be discounted when the stock even rises above 75, as at present. The current price of 103 to 105 includes a small factor for this convertible privilege, but now where near the value that is likely to be accorded to it once the common stock begins to sell in the low 80s.

The trend of earnings shown in the table above rather clearly indicates the possibilities for future price appre-

ciation which this convertible bond possesses. Interest charges in 1929 were covered more than 26 times, and during the past four years have been earned on the average more than 17 times. With contracts let for highway construction during the first quarter of 1930, as reported by the Department of Commerce, totaling $114,101,383—or an increase of more than 124% over last year—the demand for products of the Caterpillar Tractor Co. certainly shows no signs of declining. In fact, the company has recently awarded a contract for design and construction of a $200,000 tractor assembly plant to take care of its expanding business. This is in addition to the $2,000,000 new foundry completed last year in response to the increased demand for this company's products.

In purchasing these 5s of 1935, it is well for the investor to bear in mind the call price of 102½ which remains in force until April 1st, 1931, and then gradually declines until maturity. Along with the rise in the common stock, these bonds have gradually appreciated above their offering price of 98½, and now include a small price-allowance for the convertible feature—but one that appears fully justified by the exceptionally favorable trend of earnings. If present sales continue throughout 1930, without any further gains, earnings on the common will probably come close to $8 per share; and the present dividend of $3 regular and $1 extra appears open to improvement.

Summing the situation up: the $10,000,000 outstanding of these Caterpillar Tractor Co. 5% convertible bonds of 1935 appear well secured, with interest charges currently being covered close to 30 times, and an underlying equity valued at more than $135,000,000; the convertible privilege is already of small value, and appears to have very definite prospects for further appreciation as the conversion point is approached; and, most important, this company's outlook for increased sales and earnings during 1930—in so far as the more important domestic end of the business is concerned—appears more favorable than the general average of American industrial enterprises. The only doubtful development—and this is likely to be of only minor importance for a company doing a large domestic business—is the opposition already voiced by more than 34 nations to the provisions of the Hawley-Smoot tariff bill. Retaliatory tariffs on American farm implements need careful watching insofar as the export end of this industry's business is concerned. The domestic field, in which Caterpillar Tractor excels, is fortunately little affected by this development.

Bond Buyers' Guide

NOTE.—The following list of bonds has been arranged solely on the basis of current yields to maturity. The position of any issue is not intended as an indication of its relative investment merit. Readers should observe a proper diversification of commitments in making their selections from this list.

	Prior Liens (Millions)	Interest Times Earned on All Funded Debt	Call Price	Recent Price	Current Income	Yield to Maturity
Panama 5½s, 1953 (a)	....	...	102½GT	102	5.3	5.3
Norway 40-yr. ext. 5½s, '65	....	...	100F	101	5.4	5.4
Dominican 5½s, 1942 (a)	....	...	101G	98	5.6	5.8
Haiti 6s, 1953 (b)	....	...	100	93	6.4	6.5
Railroads						
Atchison, Top. & S. F. Conv. 4s, 1955	267.4	5.51	110	92	4.3	4.4
Pennsylvania 5s, 1964	....	3.25	102T	104	4.8	4.7
Illinois Central 4¾s, 1966	....	1.75	102½GT	100	4.7	4.7
Rock Island-Frisco Terminal 1st 4½s, 1957 (d)	....	X	102½T	95	4.6	4.7
Central Pacific Guar. 5s, 1960 (a)	....	2.25	105GT	103	4.8	4.8
Southern Railway Dev. & Gen. 6s, 1956	133.8	2.48	....	117	5.1	4.8
Great Northern Gen. A 7s, 1936 (b)	130.8	2.36	....	111	6.3	4.8
Missouri Pacific 1st & Ref. 5s, 1977 (a)	125.2	1.28	105A	100	5.0	5.0
N. Y., Chic. & St. L. Ref. 5½s, 1974 (a)	59.6	2.12	105	107	5.1	5.1
Western Pacific 1st 5s, 1946 (b)	....	1.27	100	98	5.0	5.1
Central of Georgia Ref. 5½s, 1959	31.1	1.56	105AG	105	5.2	5.1
Chic. & W. Indiana 1st Ref. 5½s, 1962	49.9	1.50	105	105	5.2	5.1
Nor'n Pacific Ref. & Impr. 6s, 2047 (a)	166.7	2.43	110G	113	5.2	5.2
Carolina, Clinchfield & Ohio 1st & Cons. 6s, 1952 (b)	13.9	X	107½T	108	5.5	5.3
Wabash Ref. & Gen. 5½s, 1975 (a)	62.4	1.75	105AG	103	5.3	5.3
Balt. & Ohio Ref. & Gen. 6s, 1995 (a)	284.2	2.05	107½AG	109	5.5	5.4
Minn., St. Paul & S. S. M. 1st 4s, 1938	....	1.59	....	89	4.4	5.7
Cuba R. R. 1st 5s, 1952	....	2.78	....	77	6.4	7.0
Public Utilities						
Pacific Gas & Elec. Gen. Ref. 5s, 1942	34.36	1.92	105T	102	4.9	4.7
Montana Power Deb. 5s, 1962 (a)	3.47	2.67	105T	101	4.9	4.9
Columbia Gas & Elec. Deb. 5s, 1952	....	5.15	105T	101	4.9	4.9
Indiana Natural Gas & Oil Ref. 5s, 1936	....	2.62	....	100	5.0	5.0
Consol. Gas of N. Y. Deb. 5½s, 1945 (a)	....	5.40	106T	106	5.2	5.0
Utah Power & Light 1st 5s, 1944	....	2.90	105	100	5.0	5.0
Hudson & Manh'n 1st Ref. 5s, 1957 (b)	5.9	2.63	105	99	5.0	5.0
Detroit Edison 1st & Ref. 6s, 1940 (b)	14.0	3.27	107½T	107	5.6	5.0
Postal Tel. & Cable Co. Tr. 5s, 1953	0.6	1.99	105	95	5.2	5.3
Seattle Electric—Seattle Everett 1st 5s, 1939 (d)	....	2.01	105	93	5.2	5.5
Amer. W. Wks. & El. Deb. 6s, 1975 (a)	12.7	1.43	110	106	5.6	5.6
Northern Ohio Tr. & Lt. Genl. & Ref. 6s, 1947, "A" (a)	8.4	2.20	110	103	5.8	5.7
Phil. Rap. Trans. 6s, 1962 (c)	10.0	1.31	105	84	7.1	7.3
Industrials						
Allis Chalmers Deb. 5s, 1937 (a)	....	4.61	103T	101	4.9	4.7
Gulf Oil Deb. 5s, 1947 (c)	....	4.59	104AT	102	4.9	4.8
Youngstown Sh. & Tube 1st 5s, 1978 (a)	....	3.74	105T	101	4.9	4.9
International Match Deb. 5s, 1947 (a)	....	57.03	109T	100	5.0	5.0
Amer. Cyanamid Deb. 5s, 1942	....	9.52	100	98	5.1	5.2
Sinclair Pipe Line 5s, 1942 (a)	....	3.68	103	97	5.1	5.3
National Dairy Prod. Deb. 5¼s, '48 (a)	3.10	6.99	103½	99	5.3	5.3
Chile Copper Deb. 5s, 1947 (a)	....	5.69	102T	95	5.2	5.3
B. F. Goodrich 1st 6½s, 1947 (a)	....	2.61	107A	106	6.1	5.9
U. S. Rubber 1st & Ref. 5s, 1947 (b)	2.6	1.70	105A	84	5.9	6.6
Short Terms						
Humble Oil & Ref. Deb. 5½s, '32 (b)	....	8.05	102½A	102	5.3	4.6
Amer. Cotton Oil 5s, May 1, 1931	....	19.32	105	100¼	4.9	4.7
N. Y., Chic. & St. Louis 2nd & Impr. 6s, May 1, 1931 (a)	17.3	2.12	102	101½	5.9	..
Convertible Bonds						
Atch., Top. & S. F. Deb. 4½s, '48	Com.@166.6	5.51	102	133	3.3	..
Inter'l Tel. & Tel. Deb. 4½s, '39	Com.@66⅔	6.02	102½	121	3.7	..
N. Y., N. H. & Hart. 6s, '48	Com.@100	1.06	....	125	4.7	..
Chesapeake Corp. Col. Tr. 5s, '47	C&O@196	2.45	100	100¾	4.9	4.9
Amer. Inter'l Corp. Deb. 5½s, '49	Com.@80	2.34	105	99¾	5.5	5.5

All Bonds are in $1,000 denominations only, except (a) lowest denomination $500, (b) $100.

A—Callable as a whole only. T—Callable at gradually lower prices. G—Not callable until 1930 or later. X—Guaranteed by proprietary companies. (c) Listed on New York Curb. (d) Available over-the-counter. F—Not callable until June 1, 1935.

MISSOURI PACIFIC

Soundly Situated Rail Has Expanding Outlook

New Interests Enter Management—Increasing Traffic and Revenues in Prospect

By Frederick M. Thane

THIS Western carrier presents many interesting aspects, not only from the standpoint of its own progress in recent years, but from the prospects which lie before it as a result of new interests entering its management. Not long ago the Van Sweringens received the necessary approval of the Missouri State laws to acquire 10% or more of the capital stock of Missouri Pacific, which is incorporated in the latter state. More recently, it was disclosed that the Van Sweringen holding company, the Allegheny Corp., had arranged to purchase more than 50% of the preferred and common stock of the road, and at the annual meeting on May 13th, the Van Sweringens replaced some eight members of the directorate with their own men.

This acquisition of control has of course raised the question of whether Missouri Pacific will be merged with the Eastern roads owned by the Van Sweringens, to form a trans-continental system on the lines of the Gould dream of many years ago. It seems safe to conclude, however, that physical consolidation is no immediate possibility. In the first place, there is no need for it. The Van Sweringens have already demonstrated that the inter-relation and interchange of traffic among their various roads enables them to derive most, if not all, of the advantages of consolidation, without the final blessing of the Interstate Commerce Commission.

In addition, it must be remembered that the Missouri Pacific is situated in Western territory, and the roads now controlled by the Van Sweringen interests lie in Trunk Line territory. The Mississippi River is a natural boundary between these geographical divisions for rate-making purposes. Thus, there are involved rate schedules in two entirely distinct territories, each of which has a rate structure peculiar to itself.

Moreover, at the St. Louis gateway traffic is freely interchanged between Missouri Pacific and various Eastern carriers; and it is questionable whether a unified system extending one foot from the Atlantic Seaboard might not lose more business than it would gain.

No, the Van Sweringens do not need consolidations for many years. They can divert traffic carried west by the Nickel Plate to Missouri Pacific in precisely the degree they elect without impairing the independent position of the latter road.

Meanwhile their talents for raising and bettering efficiency of operation can be expected, on the basis of past experience, to manifest itself in further improvements in the already favorable position of Missouri Pacific. For, regardless of new interests entering its management, the record of the road in recent years entitles it to unusual consideration at the present time. The remarkable development of territory served has continued to find reflection in both traffic and revenues gained.

At the close of last year 7,458 miles of road, and its subsidiary mileages included, a total of 11,500 miles was in operation. A glance at the accompanying map indicates how well spread out the mileage is.

Important Revenue Statistics

	1925	1926	1927	1928	1929
	Millions of Dollars				
Railway Operating Revenues	$130.8	$133.9	$125.7	$131.5	$139.8
Railway Operating Expenses	102.2	102.8	99.5	90.0	102.9
Operating Ratio	78.1%	76.7%	79.2%	75.3%	73.6%
Net Railway Optg. Income	$18.0	$20.3	$16.9	$21.3	$24.5
Non-Operating Income	4.4	3.6	3.8	4.0	5.4
Gross Income	22.4	23.9	20.7	25.3	30.0
Interest, Rentals, Etc.	14.8	15.3	16.3	18.8	17.7
Net Income	7.6	8.6	4.4	6.5	12.2

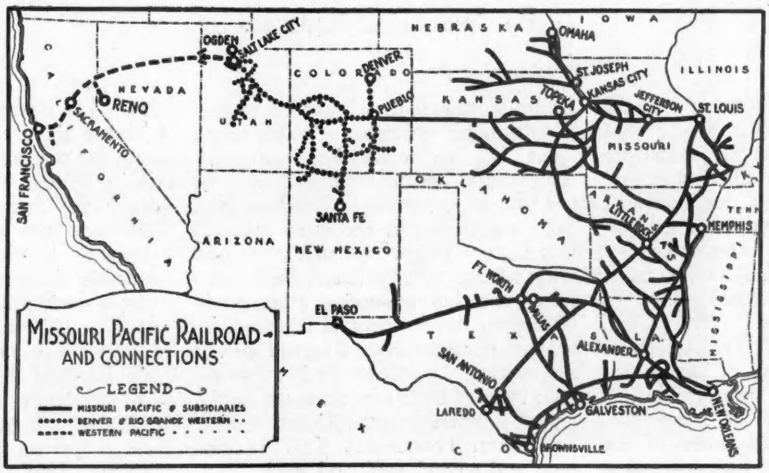
Freight Volume Growing

Revenue freight transported was the largest in the history of the road and reflects a steady increase. In 1929, Missouri Pacific carried 45.3 million tons, which represents an increase of 12.4% over the past four years. The average haul per ton is fairly long, being 242 miles during 1925-1929. Revenue ton miles also increased considerably during the period, rising from 8.77 to 11.05 billions.

The largest group of commodities trans-

ported is products of mines, which averaged 40% of total freight during the period under consideration. Tonnage in this classification has been rising steadily, mainly as a result of an increase of the volume of bituminous coal handled as the fuel demands of a growing industrial territory increase. The number of plants located along the lines of Missouri Pacific has grown steadily, which also accounts for the gains in manufactures and miscellaneous freight, which averaged 24.5% of all the revenue freight transported last eight years. Products of agriculture, forest products and animals and products rank next in the order named, and averaged 17.3%, 14.8% and 2.6% respectively. Less car load freight averaged 2.2%. The latter reflects a slight decrease, undoubtedly the result of increasing competition from the numerous motor truck routes in this area.

In 1929, the company reported 1.035 cents per average ton of freight transported one mile, as compared with 1.091 cents received in 1925. This is mainly due to the large increase in coal tonnage, on which freight rates are low. The strong traffic position of the Missouri Pacific System is reflected in the fact that about two-thirds of the volume of business handled, originates on its own lines.



MISSOURI PACIFIC RAILROAD AND CONNECTIONS

In 1929, railway operating revenues were $139,807,914, a gain of 9 million over 1925. During this interval, revenues from freight increased in excess of 10 million dollars, but the latter was to some extent offset by a reduction of $2,500,000 in passenger business. Operating expenses were practically stationary, being 102.9 millions in 1929, and 102.2 million dollars in 1925. In consequence thereof, the operating ratio was reduced from 78.1% to 73.6% in 1929. Maintenance of way and structures increased, and judging by fair standards of comparison, appears inordinately heavy. This is due to the company's policy of laying heavyweight rail, better ballast and a steadily increasing proportion of treated ties. Maintenance of equipment decreased, but the condition of Missouri Pacific's cars and locomotives are undoubtedly satisfactory. Transportation expenses decreased from $48,307,742 in 1925 to $46,863,222 in 1929, but this may be attributed to the utilization of better equipment and to improve its road. Locomotives of greater tractive effort and freight cars of greater capacity were purchased. To accelerate the movement of trains there was completed over 200 miles of double track, automatic signals were installed, and passing tracks lengthened. To permit the movement of heavier train loads, numerous bridges were strengthened. The latter increased 10.9% during the period under consideration. Coal consumption was also reduced. The greater part of the reduction in the operating ratio during this period was due to lower transportation expenses, which decreased from 36.9% of the total operating revenues in 1925 to 33.5% in 1929.

Due to the foregoing economics, net railway operating income increased from $18,013,063 to $24,554,185, a gain of $6,541,122. This compares with an increase of $9,076,253 in total operating revenues during the same period, Hence, almost 75 cents out of every dollar of the increase in revenues was retained. Due to increasing dividends received from subsidiaries, gross income increased also, so that while fixed charges and rentals reflected increases during the period, the margin of safety, therefor, also widened. In 1929, all charges were earned 1.70 times as compared with 1.5 times in 1925. Net income increased from $7,468,208 to $12,217,763. In 1928, dividends were inaugurated on the preferred stock, and total payments thereon, including accumulations, amounted to $6,567,234. After deducting the latter, there was invested in the property out of earnings a total of $45,715,711 which included $9,871,481, depreciation reserves.

Investment in road and equipment represented the largest increase in the assets of Missouri Pacific since the beginning of 1925. During this period, capital expenditures increased 111.1 million dollars and on December 31st, 1929, investment in road and equipment stood at 525.8 million dollars. Investments in affiliated companies (including 34.6 millions pledged) were carried at 70 million dollars. The latter compared with 49.6 millions as of December 31st, 1924. Among the holdings of Missouri Pacific were 131,560 shares of New Orleans, Texas & Mexico Railway Co., 150,000 shares of Denver, Rio Grande Western Railroad Co. common stock. In addition to the last named holdings, Missouri Pacific owns $23,703,000 par value of Texas & Pacific preferred stock. Current assets, including $4,405,364 of cash, special deposits, etc., were $27,296,318 as of December 31st, 1929. As of that date, current liabilities totaled $18,941,072. The greatest part of the increase in assets was derived through the issue of additional securities which totaled $95,639,320.

Funded debt comprised 70.4% of Missouri Pacific's capitalization, bonds outstanding as of December 31st, 1929, totaled $372,195,520. Stock totaled $154,639,600. The foregoing amount constituted 29.6% of the company's capital obligations. The preferred stock is outstanding in amount of $71,800,100. It is of $100 par value and is cumulative. Back dividends thereon now total $48.25. The dividend rate on the preferred stock is 5% annually. The preferred shares are convertible at $107.50 and are convertible into the common stock at par. The senior stock issue is authorized in amount of $100,000,000. The common stock outstanding now totals $82,839,500. The amount authorized is $300,000,000. Earnings on the preferred and common shares in recent years have been as follows:

	Earnings per Share	
Year	Preferred	Common
1925.......	$10.65	$4.90
1926.......	12.02	6.09
1927.......	6.13	.98
1928.......	13.20	7.15
1929.......	17.02	10.41

Missouri Pacific Railroad is now in

(*Please turn to page 227*)

INTERNATIONAL HYDRO-ELECTRIC SYSTEM

Promising Outlook for Large Hydro-Electric Utility

Company in Position to Benefit Over Next Few Years from Large Investments in Plant. Class A Shares Attractive

By WILLIAM KNODEL

A RELATIVE newcomer in the field of super-power, having been organized as recently as March 25th, 1929, as a Massachusetts voluntary association under a declaration of trust, International Hydro-Electric System represents a power empire extending from the Laurentian Mountains in Quebec to the industrial cities of Southern New England. The formation of International Hydro-Electric permitted the grouping of the principal power and utility assets controlled by International Paper & Power Co. under the direction and control of one entity and at the same time segregated the power interests of the latter concern from its paper manufacturing business. Through this step, a more aggressive and a more economic development of the electric properties should result, the benefits of which should become increasingly apparent over the next few years.

International Hydro-Electric System consists of two component parts, the one operating largely in well established territory over a long period of years, the New England Power Association, and the other representing more a pioneering enterprise, developing tremendous hydro-electric resources in the eastern part of Canada, the Canadian Hydro-Electric Corp., Ltd. The blend of this combination furnishes International Hydro-Electric with a backbone of stability through ownership of utility properties in long established industrial communities where the growth of electric service proceeds at a fairly steady pace, together with the more speculative feature in the vast hydro-electric undertakings in a territory still relatively new but possessing great possibilities for development in the immediate future. The New England Power Association is controlled through ownership of 82% of its common stock, and Canadian Hydro-Electric Corp., Ltd., through ownership of all the common and second preferred stock.

The potentialities of the system are reflected in the rapid increases in output of electric current which has been witnessed in recent years. For instance, in 1929 the output of the properties now constituting International Hydro-Electric System was 3,849,322,000 kw.-hrs., an increase of 31% over the output of the same properties in 1928, and 86% over their output in 1927. The increase in 1929 over 1928 is almost three times the rate of increase for the same period in the combined output of all central electric stations in the United States and Canada. This high rate of increase was due principally to the progressively larger wholesale deliveries of the Canadian hydro-electric properties, the output of which in 1929 ran about 55% ahead of 1929. The rate of growth of the New England Power Association was more moderate amounting to about 10%, but the increases in output of these properties in 1929 over the year previous, 1928, and ten years ago, 1920, were slightly greater than the corresponding figures for the United States as a whole.

Based on known contracts and normal growth, the total output for the system in 1930 should approximate 4,445,900,000 kw.-hrs., an increase of about 12% above 1929, and in 1931, the total output is estimated at 4,831,600,000 kw.-hrs., another increase of about 11% over the preceding year. The increasing demands for power in the territories served require substantial additions to the physical properties from time to time. At the end of 1929 the system had installed capacity of 1,329,600 h.p. Of this, 852,100 h.p. or 64% is hydro-electric, and there will be completed this year an additional 200,000

Growth of System

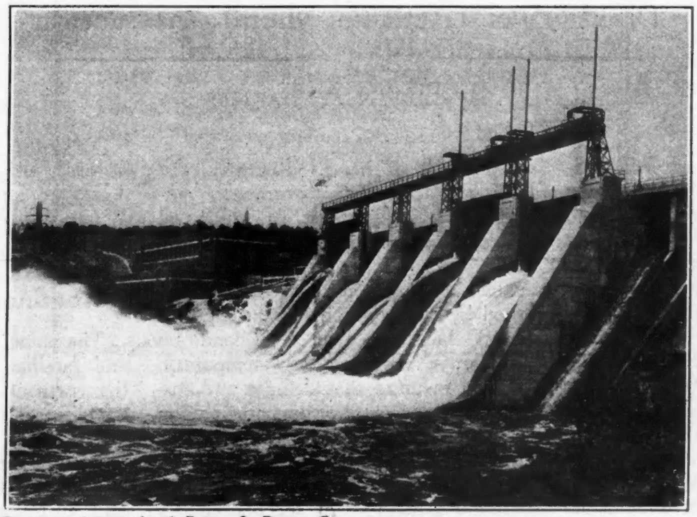
Data compiled on the earnings and business of all companies controlled on December 31, 1929, and reflects the growth of the properties now constituting the system.

Year	Gross Earnings	Electric Output, Thousands of Kw.hrs.	Installed Capacity	Electric Customers
1927..............	$38,366,907	2,073,743	930,300 h.p.	317,186
1928..............	41,631,393	2,931,394	1,206,600 h.p.	333,339
1929..............	47,263,778	3,849,322	1,329,600 h.p.	344,495

h.p. of hydro-electric bringing the ratio of hydro-electric to total capacity close to 70%.

Diversifying Markets

The true earning power of International Hydro-Electric will only begin to be manifest in the Fall of this year because on October 1st, 1930, power will be delivered under a long term contract to Edison Electric Illuminating Co. of Boston beginning at the rate of 100,000,000 kw.-hrs. a year from the 200,000 h.p. Fifteen Mile Falls hydro-electric development on the upper Connecticut River. Under the contract of the Gatineau Power Co., the principal subsidiary of Canadian Hydro-Electric, 130,000 h.p. will be added to the deliveries of power to the Hydro-Electric Commission of Ontario. Subsidiaries of Canadian Hydro-Electric have contracts for ultimate delivery of 505,000 h.p. of primary power. During the first nine months of 1929, only 250,000 h.p. of this was sold, increasing to 325,000 h.p. on October 1st of that year. The plants to produce the full 505,000 h.p. have been completed and financed, and pending the delivery of the full amount of power as primary power, the surplus is being sold at secondary power rates for the manufacture of steam by electricity.



Courtesy, International Paper & Power Co.

170,000 Horsepower Station of the Gatineau Power Co., subsidiary of International Hydro-Electric, near Ottawa

The hydro-electric resources of eastern Canada are tremendous but their economic development is contingent upon locating markets for the power so produced. The initial impetus was furnished by the amazing growth of the paper industry with its large capacity for electricity consumption, and while this industry is still one of the large and important ones to the prosperity of the power industry, the latter more and more is finding diversified markets. With specific reference to the Gatineau Power Co., the contracts and arrangements entered into by this concern call for the eventual delivery of approximately 75% of the output from the capacity now installed to be used outside the paper industry.

The New England Power Association serves a large part of New England with electric service and to a smaller extent gas and street railway service through ownership of operating subsidiaries or through wholesale contracts with local distributing power companies. The principal cities directly served include Providence, Lowell, Lawrence, Worcester, Fall River and Quincy, together with numerous other communities. The importance of New England Power Association in the territory in which it operates is clearly indicated by the fact that in 1929 it produced approximately 26% of the entire central station output of electricity, as against 23% in 1928 and only 20% in 1927. The system also manufactures and distributes artificial gas in Webster and Lawrence, Mass., and in Warren, R. I.

The territory is a highly industrial one, producing a large variety of diversified products, which in turn assures stability. The amount of power required for manufacturing in Massachusetts and Rhode Island is greater per square mile than in any other similar section of the country. This makes the territory a particularly attractive one, as large blocks of power can be delivered with relatively small expenditures for transmission and distributing facilities, and with correspondingly small losses from generator to consumer.

New England Power's system as now developed is not only a great aggregation of power plants but by reason of its widespread network of transmission lines it constitutes a great power pool uniting all important hydro and steam plants in the territory and making available the combined resources of all in the most economic way. More than this, it has interconnections with systems outside the New England territory, the tie-up with Niagara Hudson Power, permitting it to draw on or interchange power with this large New York utility system.

Earning Power Developing

Current earnings reports of the International Hydro-Electric System of course reflect only in part the full earning power of the properties, but the company should be in a position to do this by 1932. In the meantime, however, steadily higher earnings should be shown as the various properties swing into action and the long term contracts for increasing amounts of power become effective, in addition to the normal growth factor for electric service in the territory served. This trend is decidedly evident in the three quarterly periods in 1929. For the first three months of operation of the properties under its present organization, that is for the quarter ended June 30th, total gross revenues were $10,688,448; in the quarter ended September 30th, this had increased to $11,297,068; and in the December 31st quarter, during which a higher delivery rate of power to the Ontario Hydro-Electric Commission became effective, the gross increased to $13,404,443.

For the nine months' period in 1929, International Hydro-Electric showed gross earnings from operations of $33,302,730, and income from other sources of 2,087,229, the two aggregating $35,389,959. Operating expenses, maintenance and taxes were $16,946,410, leaving net revenue of $18,443,549. Depreciation was charged in the amount of $2,541,959 which together with the maintenance was equivalent to about 15½% of the gross revenues, a conservative amount for properties in which hydro-electric is predominent. After all interest charges and dividends of subsidiary companies, there remained for the stocks of International Hydro-Electric a balance of $1,837,541, which is at the annual rate of $4.25 a share on the average amount of Class A stock outstanding during the period. Earnings for the quarter ended March 31st, 1930, were $12,938,560 gross, and available for the Class "A" stock $1,107,076, or at annual rate of about $5.90 a share applicable on this issue.

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PETROLEUM

PHILLIPS PETROLEUM — CONTINENTAL OIL

Two Expanding Oils Destined for Higher Levels

Broadened Marketing Outlets and Increased Diversity of Activities Lend Attraction

By Edwin A. Barnes

NO other major industry has experienced such rapidly changing fortunes as have been witnessed in the oil industry during the past several years. For this reason the great majority of oil stocks have proven disappointing and have sorely tried the confidence and patience of their many holders. Excessive production has been responsible for most of the industry's vicissitudes and a veritable flood of crude oil has brought about numerous price-cuts and trade wars, reflected unfavorably in the earnings of all affiliated companies, practically without exception. Efforts to curtail output have been handicapped by the lack of complete or sustained co-operation and only by the saving grace of a steadily increasing demand has the industry been able to weather its difficulties without serious disaster.

As pointed out, however, in recent issues of THE MAGAZINE OF WALL STREET, there have been several important developments in the oil industry which provide an anticipatory basis for marked improvement this year. The spirit of co-operation among leading factors has been growing, manifesting itself in a substantial reduction in crude output and price advances in both crude oil and gasoline. The trade war between Standard of New York and Dutch Shell interests has been settled and the season of heaviest consumption is at hand. Recently, the leading Pacific Coast company announced a drastic cut in crude oil prices, a move motivated largely by the desire to take disciplinary action against operators refusing to be governed by conservation measures. It is hoped, however, that this condition will prove more or less temporary. Bearing in mind that definite and sustained improvement is dependent upon the uncertain factor of continued co-operation, the success of present efforts seems reasonably possible and while admittedly a measure of speculative risk is involved, selected oil shares now appear to be in an attractive buying range. The two companies selected for analysis here, although comparatively small units, are favorably situated and have of late displayed marked progress.

Continental Oil Company

The name, Continental Oil, is an old and familiar one in the industry but the present company bearing that name is far removed from the original which began operations in the Rocky Mountain States when this territory was the national frontier. Despite the fact that the company served a less densely populated section than the larger Eastern companies, it steadily extended the scope of its activities and prestige. Merged last year with Marland Oil Co., Continental now ranks prominently among the leading petroleum enterprises and has entered a new phase of its history which holds forth considerable promise for the future.

Although less than a year old the merger of Marland and Continental, effected by the formation of the Continental Oil Co. of Delaware (the present company), has been productive of important advantages and the 1929 report of operations affords convincing evidence to support the logic of consolidating the two companies in a single unit. Subsequent to the consummation of the merger, the Prudential Refining Co. and a majority

Continental Oil

1929 Operating and Financial Statistics

Net Crude Oil Production	22,112,715 bbls.
Total Acreage Owned or Controlled	2,055,163 acres
Domestic and Export Gasoline Sales	7,579,709 bbls.
Natural Gasoline Production	20,767,322 gals.
Natural Gas Sales	10,160,406 M Cu. Ft.
Funded Debt (Mar. 31, 1930)	$29,751,140
Capital Stock Outstanding	4,743,103 shs.
Earned Per Share, 1929	$1.90
Earned Per Share, First Quarter 1930	0.11
Dividends Paid	None
1930 Price Range—High	30½
Low	19½

interest in the Texon Oil & Land Co. were acquired. The latter company is an important Texas producer and the former operates a refinery at Baltimore, in addition to having market facilities along the Atlantic seaboard. As the company's various activities become more thoroughly co-ordinated and seasoned, it is expected that additional acquisitions will be made in an effort to build up a completely integrated organization operating on a national scope. The fact that strong banking sponsorship is actively represented in the affairs of the company presages competent and vigorous management, a highly important feature in the present era of the oil industry.

The income account of the company for 1929, which includes Marland Oil for the full year and the former Continental Oil for the last six months only, profits of the latter for the first half of the year having been included in acquired assets, discloses a substantial increase in both gross and net earnings. Gross totalled nearly $82,000,000, a gain of $31,000,000 over the gross earnings of Marland Oil in 1928 and net profit, after deducting interest and various reserves for depreciation, depletion, intangible drilling costs and cancelled leases, totalling $22,476,132, amounted to $9,026,660 or $1.90 per share on the 4,743,103 shares of outstanding capital stock. Write-offs for the aforementioned reserves were equivalent to over $4.30 per share, a figure which may be regarded as conservatively adequate. In 1928 Marland showed a deficit of nearly $5,000,000. Considering that earnings last year were subject to the non-recurring expenses involved in the consolidation, the ability of the management to produce a satisfactory profit and reduce the ratio of operating and administrative expenses from 39.3% of gross earnings to 36.6% is indicative of the promptness by which economies were effected. The reduction in payrolls alone resulted in an annual savings of nearly $3,000,000.

Producing Property Extensive

At the end of the year, the company controlled 2,055,163 acres of producing property and net crude oil production for 1929, including Mexico, amounted to 22,112,715 barrels or an average of 60,583 barrels daily. Co-operation by the company in conservation programs, however, substantially reduced crude output and potential production is undoubtedly much in excess of that for last year. Eight refining units were in operation at various strategic points and during the year a new and modern absorption plant was constructed at Baltimore. Domestic and export gasoline sales totalled 7,579,709 barrels in 1929 which together with other petroleum products marketed by the company produced a revenue of $54,118,664. Continental is represented in thirty-five States, in twenty-four of which it operates its own service stations.

Phillips Petroleum

1929 Operating and Financial Statistics

Net Crude Oil Production	12,437,089 bbls.
Total Acreage Owned or Controlled	1,506,246 acres
Gasoline Sales	60,000,000 gals.
Natural Gasoline Production	219,774,567 gals.
Natural Gas Sales	171,161,810 M Cu. Ft.
Carbon Black Production	18,213,051 lbs.
Funded Debt	$35,472,000
Capital Stock Outstanding	2,669,998 shs.
Earned Per Share, 1929	$5.19
Earned Per Share, First Quarter 1930	0.60
Dividends Paid	2.00
1930 Price Range—High	44¾
Low	29⅛

Two developments of salutary importance took place last year. Last September the company brought into production its first well in the Kettleman Hills area, considered to be one of the most prolific fields of recent discovery and in which Continental is reported to control 2520 acres. While pro-ration agreements will prevent intensive development of this property for the present, the company, nevertheless, has a valuable stake in a promising field. The management places even greater importance on the development of Conoco Germ Processed Motor Oil, a high quality lubricant manufactured under a patent formula for which the company holds the North American rights. The enthusiasm of the management will probably be given tangible recognition by concerted efforts to create a large consumer demand for this product.

Continental's balance sheet as of March 31st, 1930, disclosed a sound financial position with cash alone in excess of current liabilities. Since last December, funded debt has been reduced $2,360,000 and now totals $29,751,140 and outstanding capital stock remained unchanged at 4,743,103 shares. Earnings in the first quarter of the current year amounted to 11 cents per share, contrasting favorably with a deficit equivalent to 35 cents per share in the same period of 1929, and in the likely event that the oil industry maintains the present even keel, earnings will doubtlessly show a corresponding betterment in the succeeding months.

At the present time no dividends are being paid on the capital stock and the conservative policies of the management preclude the inauguration of payments until they are reasonably certain that such move would not interfere with plans for future expansion and fully warranted by the then existing conditions in the industry. Destined, nevertheless, to become an increasingly important factor in the petroleum industry, the company should register a rate of progress which should gradually enhance the value of its shares and at current quotations near 27, they offer appeal to the investor seeking an attractive equity issue which has yet to discount a promising future.

Phillips Petroleum

Rated as one of the prominent producers of crude oil and natural gasoline, Phillips Petroleum in recent years has been engaged in aggressively building up its activities in other phases of the oil industry and while the plans of the management in this respect have been only partially completed, the extent of the progress already made is emphasized by the fact that more than 50% of net earnings in 1929 were derived from sources other than the production of crude. With the growing diversity of operations bringing a desirable measure of stability to earnings, and the extensive development of the country's natural gas reserves, in which Phillips is one of the leading participants, promising to substantially augment future income, the company's prospects are well founded upon logical factors.

During 1929, the company added over 40,000 acres to producing properties bringing the total to more than 1,500,000 acres either owned or con-

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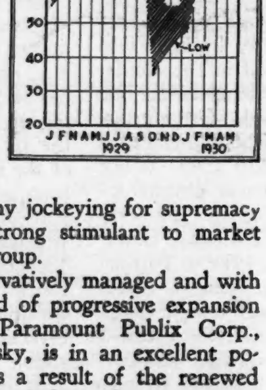
Investment Opportunities in Stocks Subject to Contest for Control

In these days of mergers, consolidations and industrial control of markets, raw material supplies, etc., appreciable advances in the prices of sought after stocks are commonplace. Unfortunately, however, these runups are more often than not only notable after the event. The real opportunity for profitable investment is in the shares of a company before control is aggressively sought. Accordingly, we have selected a group of strong companies in which there is well founded possibility of control being contested by strong interests. Any of these issues could be advantageously acquired on their own merits, and the possibility of price advance when the shares are under accumulation renders them even more attractive.

Paramount Publix Corp.

IF present indications are ultimately borne out, and there is ample basis for believing that they will be, 1930 will be another banner year for the motion picture industry. This achievement in a year of generally unsettled industrial conditions should be rather convincing evidence that the industry has attained a degree of stability not fully appreciated by many investors. Judged by every standard governing the selection of common stock investments, the shares of Paramount Publix Corp., qualify as a desirable medium for participating profitably in this established, albeit newer, industry. Moreover, there is a definite trend in the industry toward concentration, with two or three leading companies in virtual control, and any jockeying for supremacy would undoubtedly prove a strong stimulant to market interest in the motion picture group.



Recognized as a leader, conservatively managed and with a conspicuously favorable record of progressive expansion and growing earning power, Paramount Publix Corp., formerly Paramount-Famous-Lasky, is in an excellent position to benefit substantially as a result of the renewed impetus which has been given the industry by the successful adaption of talking pictures. The synchronization of sound, speech, and music with motion pictures and the achievement of life-like effects with natural color has not only increased attendance at the "movies," but has attracted many talented stage stars and musicians to the studios.

In many respects, 1929 was the outstanding year in Paramount's history. Net income was more than 78% higher than the previous year, financial position was never better, and expansion of controlled theatres was notable. Operating over 1,000 theatres in forty states, the company ranks as the largest owner of motion picture houses in the United States and additional acquisitions have been made in the current year. Paramount has a 50% interest in the Columbia Broadcasting System, undoubtedly a valuable asset, and is closely affiliated with United Artists, a combination of a number of the country's outstanding cinema stars.

Based on the 2,685,313 shares of common stock outstanding at the end of the year, 1929 earnings were equivalent to $5.78 per share as against $4.22 per share on 2,062,000 shares at the end of 1928. Balance sheet revealed the company to be entirely free of bank loans, current assets exceeded $37,000,000 and current liabilities were less than $15,000,000 with net working capital amounting to slightly more than $22,000,000. The 6% debenture bonds outstanding at $14,323,000 constituted the only capital liability ahead of the common, the preferred stock having been retired early in 1928.

Net income in the first three months of the current year was officially estimated at $4,800,000, after all prior charges and expenses, equal to about $1.80 per share and a substantial margin over the $1 quarterly dividend. While it is still somewhat early to anticipate results for the full year, earnings of from $7 to $8 per share appears to be a conservative estimate.

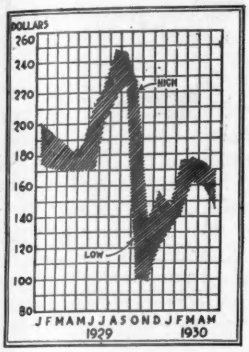
Selling at 70, or about ten times estimated earnings, and yielding 5.70% the shares are modestly appraised marketwise both in relation to earnings and the company's importance in a thriving industry. Added to which, the possibility of important merger developments lends distinct appeal to the stock both for investment and eventual price appreciation.

Brooklyn Union Gas Co.

ONE of the independent utility companies operating in New York City, Brooklyn Union Gas, occupies a unique position supplying the gas service to the greater part of the Borough of Brooklyn and to a large and vast growing section of the Borough of Queens. The year 1929 was another one of progress for the company

in many ways. The service was expanded and the meters in active use increased 17,512 to a total of 717,703, while gas sold during the year amounted to 22,447,578,000 cubic feet, an increase of 41,412,000 cubic feet or 1.8% over the preceding year.

Probably more significant to the investor is the improvement in operations effected. Revenues from the sales of gas were approximately the same as the year before and stood at $25,626,643, but operating expenses declined 13.3% with the result that the operating income applicable to corporate property increased 36.5%. After all charges, the net income available for dividend distribution amounted to $5,553,268 a gain of slightly less than 35% over the preceding year. This was equivalent to $7.54 on the 736,718 no par shares outstanding at the end of the year as against $8.09 a share on 511,146 shares at the end of 1928. The great increase in the number of common shares was due to the conversion of a large issue of bonds into stock which became operative January 1st, 1929, but the conversion strengthens the position of the common stock as it brings this security closer to the property.



Growth possibilities are held out not only in the steady development of the boroughs in which the company operates, but in intensifying the use of gas. Gas refrigerators, for instance, are being installed in many of the large apartment houses in Brooklyn and Queens, and in private dwellings. There are at present over 6,000 of these in service and many new installations come as a result of recommendations from satisfied users. The use of gas in heating houses is also becoming more popular with increasing appreciation of the many advantages and comforts from this type of heating. Installations of gas fired house heating equipment have been made in gratifying numbers.

Brooklyn Union Gas may eventually be linked up with the Consolidated Gas System, a move which would be logical as it no doubt will result in operating economies which in turn would benefit the consumers through a reduction in rates. A merger of this sort would result in the centralization of control of all the gas and electric companies serving the metropolis outside of Staten Island.

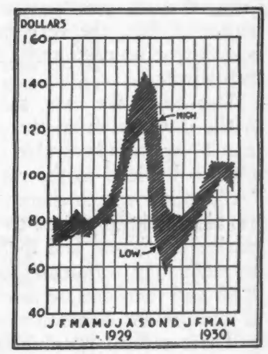
At its recent price of 150, the stock of Brooklyn Union Gas is selling for about 20 times last year's earnings, or approximately in line with the price of other utility stocks. The dividend of $5 per annum returns a yield of 3.3%. The stock is attractive, however, because of the company's distinct possibilities for further growth and increased earning power, and also because of its position in the metropolitan field with respect to an eventual merger.

Pacific Lighting Corp.

THE recent merger of two large Pacific Coast utility properties indicates that the movement toward consolidation in this area is approaching an active stage. Prominently mentioned from time to time as a merger candidate is the Pacific Lighting Corp., a huge gas utility system operating in the southern portion of the state of California. Specifically, the merger would first be with the Southern California Edison Co. which operates the electric utility service in this geographical portion of the state, and subsequently a super system may evolve that would embrace practically the entire state.

While gas service constitutes the Pacific Lighting's chief activity, serving the City of Los Angeles as well as practically the entire southern part of California, electricity is also an important part of the company's business, a large part of Los Angeles being provided with this service. The company represents a well rounded out organization serving a compact, rapidly growing and generally prosperous territory. An extensive system of pipe lines gives the company access to 22 separate gas producing fields, but the company does not itself own any natural gas producing properties, all requirements being purchased from oil companies and other independent producers. Present reserves are believed will provide natural gas for a long period.

The earnings trend of Pacific Lighting have been sharply upward, the consolidated gross for the twelve months ended March 31st, 1930 being reported at $47,885,025 and after all expenses, including depreciation and minority interest and dividend charges there remained available for the stocks of Pacific Lighting Corp. net profit of $7,804,552 equivalent after preferred dividends to $4.89 a share on 1,462,679 no-par common shares outstanding. This compares with $4.54 for the year 1929 and $3.81 in 1928. The company maintains a policy of making very liberal charges for depreciation, a procedure which is conservative in view of the extensive manner in which it has entered the natural gas business.



Plans for 1930 call for aggressive action on the part of the company with extension of the service to both domestic and commercial users into new territory either directly or through wholesale arrangements with other systems. The already strategic position which the company occupies will thereby be strengthened. At the recent price of 97, the common stock is selling for approximately 20 times earnings, but in view of the fact that the common stock constitutes a considerable part of the entire amount of the system's outstanding capitalization, it has an unusual equity in the gross earnings, a quality mitigating the speculative in favor of the investment aspect behind a commitment in the stock.

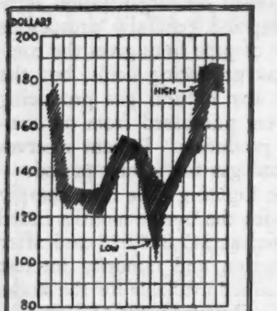
Coca-Cola

NEW high records in earnings and sales have become so frequent in the history of the Coca-Cola Co. that now only exceptions to the steady march of progress attract any special attention.

This outstanding leader in the soft drink manufacturing business of the world sold in 1929 a total of 26,982,000 gallons of its beverage, not only in the United States but in 76 foreign countries as well. During 1929 export sales alone were 32% above those of 1928; and in 1928 the increase was 82% over the preceding year. It is the opinion of the management that a large and increasing foreign business can be attained, despite such important factors as geographical location, climate and racial differences. If this proves to be the case, continued rapid expansion for many years to come is in prospect.

Turning to the enviable record made in the United States alone, it is especially significant that 1929 was the sixth

consecutive year in which net profits have shown an increase, and the fifth consecutive year in which new high records in earning power have been reported. Sales have shown an increase each year in the past seven annual reports, and earnings on the common stock have jumped from $3.29 in 1921 to the equivalent of $20.50 per share in 1929 on the same capitalization. Due to the 100% stock dividend declared in 1927, the actual earnings reported in 1929 totaled $10.25.



Due to the unusually heavy reserves set up for contingencies, the total 1929 profit of $12,758,276 was reduced by $2,203,204. Omitting this reserve, the true earning power on Coca-Cola common was close to $12.50; and as a further illustration of the "hidden" earnings of this company, it should be noted that no less than $5,000,000 has been set aside in the form of extra reserves during the past five years. As a matter of fact, the very nature of the company's business is such that no need arises for the piling up of a substantial cash surplus.

This being the case, the prospect of a further increase in the dividend from the present meager rate of $6 to at least $7 appears favorable. During 1929 the company paid a stock dividend in the ratio of one share of the new class "A" stock for each share of the common. This "A" stock has already been retired to the extent of over 25% by open market purchases; and there is the possibility that the management may formulate some plan to retire the remaining 80% and then declare another stock dividend, or a split-up of the present common shares.

These several possibilities greatly enhance the value of Coca-Cola common from a speculative standpoint; but superimposed upon these more obvious advantages is the rumor persisting, despite denials, that other large organizations enjoying world-wide distribution are closely watching Coca-Cola with a view to ultimately obtaining an important interest in the company—possibly with a motive looking toward consolidation in due course of time. Prominent in these rumors is Drug, Inc., which is today one of the largest dispensers of Coca-Cola, through its world-wide chain of retail drug stores.

In view of the demonstrated ability of the Coca-Cola Co. to turn in a most attractive earning's statement even

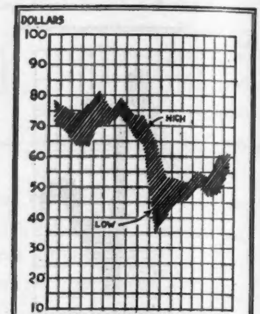
(*Please turn to page* 210)

General Foods

REFLECTING the steady growth in sales and earnings, even in the face of generally dull business conditions, the common stock of General Foods Corp. has been receiving increased attention from well informed investors.

This popular successor to the old Postum Co., Inc., controls about 20 well-known trade-marked foods including Postum, Instant Postum, Post Toasties, Baker's Chocolate, Grape Nuts, Jell-O, Maxwell House Coffee, Minute Tapioca and Swansdown Flour. The average age of the component companies is over 40 years, assuring well established earning power; and in addition, all of these organizations were obtained at an unusually low average cost. As a result of these acquisitions, earnings of General Foods were enlarged more than 600% during the past seven years; and this despite the fact that numerous price reductions and improvements in the quality of products have been instituted. Price reductions on six items alone are estimated to have cut the price to the public by no less than $11,000,000.

Net earnings of this leader in the food industry totaled $19,422,000 or $3.68 per share during 1929; and the prospect for 1930 is distinctly bright, with estimates as high as $4.50 per share on the 5,198,724 shares outstanding. But of still greater investment interest, the increased earnings in 1930 are likely to come more from better consolidation of the large number of contributing units and from savings on raw material costs, than from merely increased sales, even though an increase has already been reported for the first quarter. Economies of manufacturing, once established, will mean unusually sharp gains in earning power in the months and years to come.

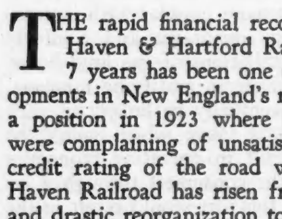


The essential and "depression-proof" sides to the business of General Foods appeal to many investors, aside from the progress of earnings. But in addition, there has been evidence of late that leading banking houses are taking a very definite interest in the long term prospects for this company. Goldman, Sachs & Co. have been bankers for the company for a number of years; but recently a block of

(*Please turn to page* 210)

New Haven Railroad

THE rapid financial recovery of the New York, New Haven & Hartford Railroad system during the past 7 years has been one of the most outstanding developments in New England's railroad history. Starting from a position in 1923 where both shippers and the public were complaining of unsatisfactory service, and where the credit rating of the road was distinctly weak, the New Haven Railroad has risen from the very edge of a forced and drastic reorganization to a position of one of the most promising securities listed on the New York Stock Exchange.



No small part of the credit for this phenomenal recovery was due to the untiring efforts and engineering foresight of the then president, E. J. Pearson, and vice-president, E. G. Buckland, who not only expended millions of dollars in improving the road's equipment and facilities, but also devised new and most effective methods for obtaining additional capital—and at a time when the credit rating of the road demanded drastic action. With the cooperation of bankers, shippers and employees a bond issue of $23,000,000 was actually over-subscribed; and when a subsequent issue of $49,000,000 in 7% preferred stock was also successfully floated, the rehabilitation program was well under way. The very factions that had previously complained of poor service were in the forefront

in supplying new funds. Co-operation between all parties was inevitable, since they all had a single goal in view—improved service to New England.

The remarkable success of the New Haven management in this rehabilitation program focussed the attention of outside interests upon the unusual earning power rapidly developing and the commanding position of this road from a merger standpoint. As a result, the recent testimony of General Atterbury, president of the Pennsylvania Railroad, revealed that 304,000 shares had been purchased already by Pennsylvania and its investment holding subsidiary, the Pennroad. While this block represents only about 12.4% of the combined preferred and common and convertible bonds, it is sufficient to give Pennsylvania considerable interest and influence right now, if it desires to exercise it; but perhaps more important, it shuts out other leading railroad systems that might well like to obtain a commanding position in New England's great future industrial development.

But aside from the pitched battle that is being fought at the present time for the ultimate control of New Haven, the common stock of this railroad possesses investment merit that makes it particularly attractive for inclusion in security portfolios at this time. Net income increased from a deficit of nearly $3,000,000 in 1923 to a profit of $22,296,268 during 1929; and even during the first quarter of 1930, with the general level of business activity distinctly below a year ago, New Haven reported a decline in gross of only 6.5% and a net of 9.8%. Moreover, the management has maintained operations at an unusually high level of efficiency throughout this period, as revealed by the operating ratio for the first three months of 68.9% compared with 68.6% in the opening quarter of 1929. Net income for the first three months was at the annual rate of around $11.50 on the common stock; but if traffic picks up during the balance of the year more than the mere seasonal gains, as would be the case if general business recovers this coming Fall, the earnings on New Haven common stock could very easily rise to new high levels exceeding even the $11.72 reported during the banner 1929 year.

A large part of the credit for the low operating ratio and high efficiency witnessed during the past few months is due to the close control which the present management exerts over operating expenses. Reductions were made in every one of the major items of operating expense, and had traffic revenues remained even stationary instead of declining sharply, record earn-

(*Please turn to page 210*)

Preferred Stock Guide

NOTE: The following preferred stocks are listed solely in accordance with the current yield on each. The sequence of Guide, therefore, does not indicate a preference for one issue over any of the others. Readers should observe a proper diversification of commitments in making their selections from this list.

Railroads

	Div. Rate $ per Share	—Earned $ per Share— 1926	1927	1928	Redeemable	Recent Price	Yield %
Norfolk & Western	4 (N)	160.35	133.40	133.73	No	85	4.7
Union Pacific	4 (N)	41.17	39.85	46.32	No	86	4.7
Atchison, Top. & S. Fe......	5 (N)	48.83	40.47	40.21	No	106	4.7
Baltimore & Ohio	4 (N)	48.41	38.44	49.44	No	83	4.8
Pere Marquette Prior........	5 (C)	68.77	64.08	75.60	100	101	4.9
Southern Railway	5 (N)	39.33	36.17	32.11	100	98	5.1
Colorado & Southern 1st.....	4 (N)	52.56	57.76	49.45	No	77	5.2
N. Y., Chicago & St. Louis..	6 (C)	24.65	20.31	17.68	110	109	5.5
St. Louis Southwestern.......	5 (N)	12.00	9.30	8.34	No	90	5.6
N. Y., New Haven & Hart..	7 (C)	....	22.05	34.40	115	122	5.7
Kansas City Southern	4 (N)	10.86	9.04	14.01	No	70	5.7
Colorado & Southern 2nd......	4 (N)	48.50	53.76	45.46	No	69	5.8
Wabash "A"	5 (N)	11.86	6.87	9.24	110	85	5.9
**St. Louis, San Francisco....	6 (N)	16.12	15.28	17.44	115	99	6.1
Missouri, Kans. & Tex.......	7 (C)	....	13.06	16.34	110	105	6.7

Public Utilities

Public Service of New Jersey	8 (C)	§21.46	§16.28	20.98	No	155	5.2
Columbia Gas & Electric "A"	6 (C)	27.81	25.42	20.73	110	109	5.5
Philadelphia Co.	3 (C)	24.20	28.06	21.75	No	54	5.6
American Water Works & El.	6 (C)	22.63	24.30	31.05	110	105	5.7
Standard Gas & Electric......	4 (C)	20.00	16.76	14.07	No	66	6.1
Hudson & Man. R. R. Conv..	5 (N)	40.32	40.70	37.02	No	81	6.2
Federal Light & Traction....	6 (C)	41.52	39.67	49.93	100	97	6.2
Electric Power & Light......	7 (C)	13.83	16.21	17.09	110	110	6.4
Continental Gas & Elec. Prior	7 (C)	16.41	20.46	24.45	110	103	6.8
Postal Tel. & Cable..........	7 (N)	....	....	7.19	110	100	7.0
Amer. & Foreign Pow. 2nd..	7 (C)	8.89	2.58	5.33	105	99	7.1

Industrials

Bethlehem Steel Corp.........	7 (C)	20.84	16.32	19.16	No	131	5.4
Case (J. I.) Thresh. Mach....	7 (C)	29.39	38.43	32.59	No	129	5.4
Mathieson Alkali Works......	7 (C)	67.86	74.06	84.50	No	127	5.5
Deere & Co.	7 (C)	23.22	25.74	29.52	No	122	5.7
Stand. Brands, Inc., Cum. A.	7	....	125.34*	123.40*	120	120	5.8
Brown Shoe	7 (C)	29.69	44.12	85.27	120	118	5.9
Radio Corp. of Amer. "B"...	5 (C)	....	....	5.36*	100	83	6.0
Crucible Steel	7 (C)	26.19	22.47	22.54	No	114	6.1
General Cigar	7 (C)	51.26	67.32	62.81	No	116	6.1
Bush Terminal Buildings.....	7 (C)	‡	‡	‡	120	115	6.1
Bucyrus-Erie	7 (C)	....	....	39.34	120	115	6.1
Baldwin Locomotive	7 (C)	29.42	12.21	1.66	125	109	6.4
American Sugar	7 (C)	14.08	7.97	14.60	No	109	6.4
Associated Dry Goods 1st.....	6 (C)	27.67	24.10	24.55	No	93	6.5
International Silver	7 (C)	24.39	30.82	27.48	No	107	6.5
American Locomotive	7 (C)	20.88	16.60	10.83	No	106	6.6
Bush Terminal Debentures...	7 (C)	16.81	18.88	20.55	115	105	6.7
Commerce Investm. Trust 1st.	6½ (C)	27.72	24.36	45.50	110	96	6.8
Tidewater Asso. Oil conv.....	6 (C)	13.35	7.35	19.49	105	88	6.8
General Cable Co.............	7 (C)	27.69	25.72	25.92	110	101	6.9
Goodyear Tire & Rubber......	7 (C)	11.83	18.90	18.90	110	100	7.0
Glidden Co. Prior	7 (C)	23.91	22.69	32.69	105	100	7.0
U. S. Smelting, Ref. Mining.	3.5 (C)	6.25	6.23	3.43	No	49	7.1
Otis Steel Prior	7 (C)	16.36	11.80	26.08	110	99	7.1
Goodrich (B. F.) Co..........	7 (C)	13.96	39.19	10.36	125	97	7.2
Spicer Mfg. conv.............	3	58.54	74.42	26.00	57½	40	7.5

C—Cumulative. N—Non-cumulative. § Earned on all pfd. stocks. ‡ Guaranteed unconditionally by Bush Terminal Co. ** Adjusted to basis of present stock. * Six months ended June 30, 1929.

INTERNATIONAL HARVESTER

A Leader in Farm Equipment and Then Some

Attractive Investment in Old Line Company Whose Earning Position is Well Protected by Diversity of Products

By C. Hamilton Owen

ROLLING up an unprecedented output in 1929, valued at more than $600,000,000, the manufacture of farming machinery and equipment now ranks high among the country's major industries and the International Harvester Co. is, by a considerable margin, the industry's leading corporate factor. For some time agriculture had failed to keep pace with the trend toward the adoption of modern and efficient labor-saving devices so pronounced in other industries, but of late the farmer has apparently awakened to the manifold advantages of machinery over his former antiquated methods and manufacturers quick to sense this turn of events have prospered accordingly. International Harvester has played a leading role in introducing mechanization to the farmer and is in an excellent position to reap the just rewards of its pioneering efforts.

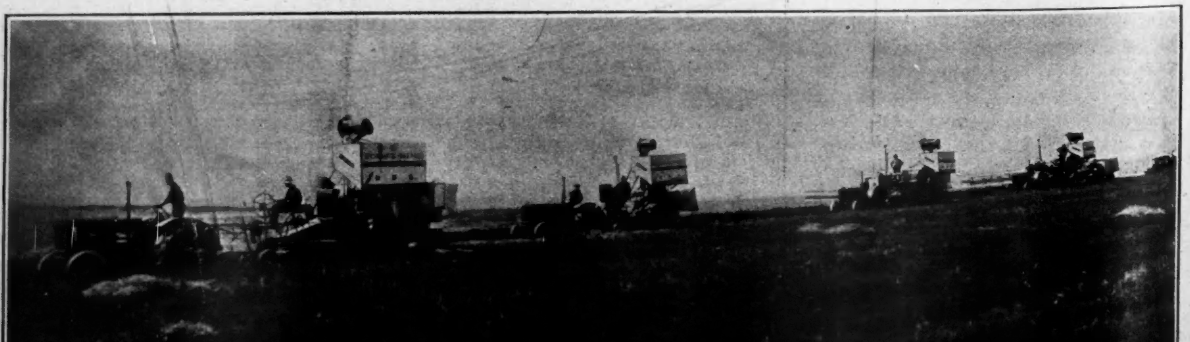
Diversified Producer

Producing a diversity of farming implements and accessories it is only natural that the company's prosperity is to a considerable extent determined by agricultural conditions. While much progress has been made in scientific farming, crops are still at the mercy of the elements, which are highly uncertain at the best, and under these circumstances it would not be surprising to find wide fluctuations in the earning power of a company closely allied with the agricultural industry. Such, however, has not been the case with International Harvester nor is this the result of a fortuitous series of good crop years. Rather it is due to the self-contained nature of the company, its world-wide scope, skillful management, and diversity of output. In the latter connection, for instance, it is not generally appreciated that the company manufactures more automobile trucks than any other exclusive truck manufacturer in the country. The company is also one of the leading producers of tractors, both farming and industrial, which of course gives it an important stake in such activities as roadbuilding, heavy construction, etc. Thus, like most of the nation's large corporations, International Harvester is not a "single base" company.

Although originally organized in 1902, the company in its present form dates its existence from 1918 when it was born out of a merger of the International Harvester Co., of New Jersey and the International Harvester Corp. This marked a new and important era in the company's history and the subsequent years have been replete with significant developments. Although not immune from the ill effects of the post-war deflation period, the company sustained no material setback and earnings, after reaching a low level in 1921, have shown a consistent upward trend. Likewise, this same period witnessed widespread expansion in the company's manufacturing facilities and sales branches, accomplished almost entirely through the reinvestment of surplus earnings. This policy, of course, has produced a steady increase in the value of shareholders' equities.

Self-Contained Company

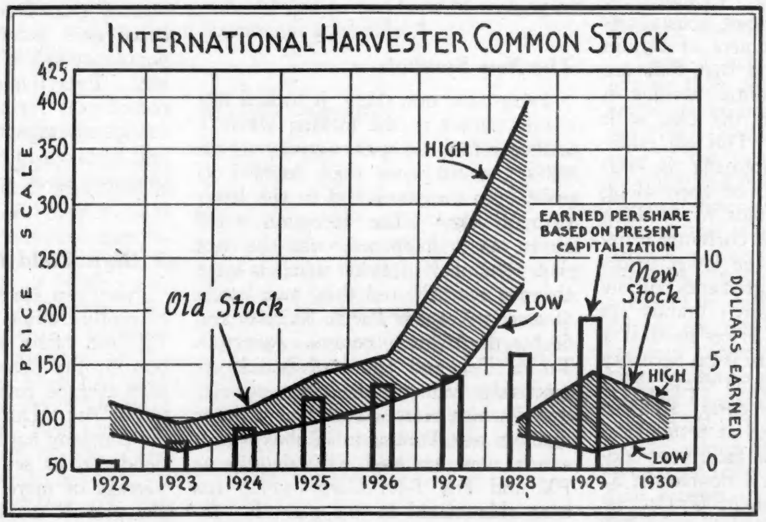
An almost complete integration of operations is obtained for the company, through various subsidiary units which operate iron mines, coal properties, steel furnaces, rolling mills and a by-product coke plant. In Cuba, the company owns 4,800 acres of land and a plant producing sisal fibre. Chief among the numerous advantages resulting from control of raw material requirements is the ability of the com-



pany to produce on a maximum efficiency basis, to say nothing of independence from outside sources of supply and increased competitive force, both highly desirable benefits.

Domestic plants of the company engaged in the manufacture of farming equipment and motor trucks number fifteen, most of which are located in the Middle West. Additional manufacturing facilities are maintained in Canada, France, Germany and Sweden and formerly a plant was operated in Russia but this unit was confiscated and nationalized by the Soviet Government. There are three twine mills in the United States, one in Canada and three in Europe. Sales branches and distributing and service stations are to be found in practically every important city in the United States and Canada as well as the principal cities of South America, Europe, Asia, Africa, Australia and the Far East. With its wide flung interests the company is truly an international enterprise.

Manufacturing practically every conceivable type of mechanical farm equipment, the company has also been active in developing new and more efficient machinery, a policy which aids materially in sustaining an active demand and a strong replacement market. One of the newest products, the Farmall tractor, has met with an excellent demand and the sales of tractor-drawn equipment have shown a corresponding increase, necessitating substantial additions to several of the company's plants. It has been conclusively demonstrated to the farmer that the employment of tractors and supplementary equipment enables him not only to complete a task in much less time but at a substantial saving as well. Furthermore, the price of mechanical equipment has been placed within the reach of every enterprising farmer and International Harvester has aided him in acquiring his needs by extending liberal credit terms. In spite of the accelerated progress in agricultural efficiency, it is estimated that 50% of farm labor is still performed by horse-drawn vehicles which fact would seem to eliminate any immediate danger of a restricted market for up-to-date equipment. There is no lack of competition in the field but Harvester has already demonstrated its dominance in this respect and with its extensive sales facilities may be safely depended upon to continue the same vigorous policies which have brought it to the fore.



Leading By a Wide Margin

Comparing the annual total value of domestic production of agricultural machinery for the past five years with gross income reported by International Harvester, it is found that the company has in each year successively bettered its percentage to the total. For instance, the total value of the entire output in 1925 amounted to $391,812,000 and Harvester reported gross income of $28,956,968 or 7.4%. By 1928, however, the company had increased this percentage to 9.4 and last year gross income was equivalent to nearly 10% of the total value of output. In this connection, it is to be borne in mind that the company, for competitive reasons, does not report gross sales and gross income is the amount remaining after deducting manufacturing expenses. Arbitrarily stated, actual sales were probably from four to six times larger than gross income or about $250,000,000 to $350,000,000. A comparison of these figures with the total value of the United States output strongly confirms the company's dominant position in the industry.

Capital structure of the company is simple; there is no bonded indebtedness and the 786,998 shares of 7% preferred stock is the only capital liability ranking ahead of the 4,409,185 shares of common stock outstanding at the end of 1929. The balance sheet, showing the position of the company as of December 31st, 1929, is an outstanding example of financial impregnability. Current assets amounted to $265,504,788, of which nearly 10% was in cash and marketable securities, and current liabilities totaled only $43,585,989, indicating net working capital of $221,918,800, a gain of $20,844,984 since 1928 and $78,196,830 larger than at the end of 1922. It is also worthy of note and indicative of the company's constantly growing business that receivables, totalling $137,325,300, after a reserve of $13,322,616 for losses, show an increase of more than 100% in contrast with 1922, while inventories, although $22,000,000 higher than 1928, were only $15,000,000 larger than at the end of 1922. Total assets were slightly in excess of $384,000,000, an increase of $130,000,000 in seven years.

Last year International Harvester transacted the largest volume of business in its history and earnings established a new high record. Not only did the company roll up a heavy sales volume of trucks, tractors, and farming machinery among domestic consumers but the increase in foreign sales was even more impressive. At this point, it might be pointed out that the company's wide geographical diversification of interests insures it against a severe decline in earnings should adverse conditions prevail in one country or another. It is also important to consider the competitive advantages, both foreign and domestic, of the company's compact and well established dealer organization and the recognized standard of high quality which its products have gained. These salient facts are emphasized in order to allay any apprehension which might be felt with regard to the effects upon the company's future in the light of the recent introduction of new tractors and combines by rival companies.

Returning again to a review of 1929 earnings—net profit applicable to dividends on the preferred and common shares amounted to $36,779,997, equal to 11.9% on the company's capital investment, a gain over 1928 of nearly 24% and approximately six times net profit for the year 1922. This is a record to which the company may well point with pride. In considering these earnings, however, it is of particular

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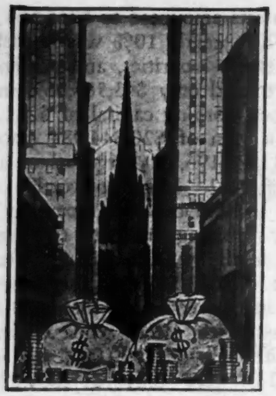


Market Indicators

For Profit

It's an Ill Wind—

Commodity prices have declined and earnings of many companies have suffered as a consequence. In numerous other instances, however, companies which are large consumers of certain raw materials now find that they are able to effect a substantial savings in costs. Such has been the case with Procter and Gamble. This old established concern manufacturing the well known "Ivory" brand of soap along with various other kinds of washing and cleaning powders is currently benefitting as a result of the lower prices for the principal ingredients of its products. The company's brands are liberally advertised at prices fixed at a standard level and there is no necessity to make any reduction in these prices to conform with lower costs. Reliable estimates place earnings at better than $3.50 per share for the fiscal year ending June 30th, or nearly double the $2 dividend. J. P. Morgan & Co. recently acquired 10,000 shares at $80 and holds an option for 90,000 additional shares which may or may not indicate that the company is being groomed for an ultimate merger.

* * *

Loew's Warrants

Originally attached to the $6.50 preferred stock, Loew's, Inc., warrants listed on the New York Curb entitle holders to purchase one-half share of the common stock of the company at $80 a share. Conversion of the warrants into stock also entitle holders to receive a stock dividend of 25%. In other words, two warrants and $80 in cash will give one and one-quarter shares of stock. Characteristic of the trend in the motion picture industry, the company's earnings have shown a steady upward trend for some years past and are currently running at the annual rate of about $10 per share. Given the benefit of improved market conditions the shares now quoted at 86 would be entitled to sell much higher with a corresponding increase in the value of the warrants. As a speculative venture, the warrants at 15 offer interesting possibilities but must be exercised prior to April 1st, 1931.

* * *

The New Symbols

Except for one thing, it looked like a rail market in the making when T suddenly took on great activity in the 240's and SB more than doubled its price over the week end in the latter part of May. The exception noted above, as it happened, was the fact that a number of ticker symbols were changed recently and these two letters (formerly Texas & Pacific Railway and Seaboard Airline) became American Tel. & Tel. and Standard Brands respectively. Among the more popular stocks which were assigned new ticker symbols was Paramount Publix Corp. which now assumed new dignity as PX and Fox Film Corp. which has been abbreviated to just plain F. International Tel. & Tel. drops one of its T's under the arrangement to IT; Union Carbide becomes UN, and Warner Brothers is shortened to WB. Ticker symbols are changed ever so often to speed up the service by giving the issues which are traded in heavy volume a short symbol and assigning the old letters, if necessary, to one of the more inactive issues. It has also happened in the case of such issues as Radio and General Motors, that the change in the ticker symbol preceded much greater trading activity and the changes are consequently heralded as an encouraging sign for the individual issues.

* * *

Soaring Luckies

For the month of April, American Tobacco reported an increase of 262,000,000 in sales of its leading brand of cigarettes — Lucky Strike — making a total gain for the first four months of 1,826,000,000 over the same period a year ago. These figures are impressive minus any other consideration but when it is noted that Internal Revenue figures disclose a decline of 72,600,000 in the withdrawals of cigarettes for total consumption in April, the substantial gain shown by American Tobacco is a potent testimonial to the popularity of the company's chief product. Everything points to another record year for the company and it is confidently expected that definite action will be taken in the near future on the proposed stock split-up.

* * *

A High Yield Preferred

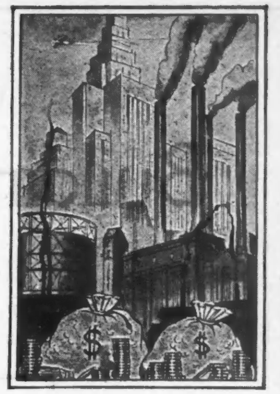
American Ice 6% preferred stock is currently selling on a basis to yield 7% and offers an attractive opportunity to the investor seeking a better-than-average return without assuming undue risk. During the past five years the company has been able to earn dividends on its senior stock issue on an average of more than three times and the present market value of the common stock represents a junior equity somewhat in excess of the total par value of the outstanding preferred, which is $14,379,300. In spite of the increasing use of electrical refrigeration, the company's earnings have not been adversely affected and results last year established a new high record, Further than that, however, the company recently threw an anchor to windward by entering the marketing of fuel oil.

* * *

A New Dividend

In the face of reduced railroad earnings, Missouri-Kansas-Texas Railroad Co. declared an initial dividend of $1 a share which, it is expected, will be paid quarterly putting the shares on a $4 annual basis. The extent to which this dividend was expected was indicated by the market action of the shares which ran up sharply to around 60 before the declaration was announced and sold off to around 55 on profit taking after the "news" was out. One of the most interesting items dis-

The Stockholder



and Income

closed in an official statement issued after the directors' meeting had to do with the progress which Katy has been making in reduction of its funded debt. At present its outstanding bonded debt amounts to less than 100 million dollars or about $30,000 a mile.

* * *

Buying of GM Stimulated

More favorable news from the automobile centers; an official statement of an increase in sales to consumers in April; and the recommendation of several large commission houses is bringing a good deal of buying into the market for General Motors. For a concern with more shares outstanding than any other company in the country, brokers who have had large orders claim that they could get stock only by bidding for it. And for a dull market, the movement of the shares during the past few weeks has been far from unwieldy, considering the fact that there are forty-three and a half million shares listed for trading on the New York Stock Exchange. April sales to consumers, incidentally, as officially announced by the General Motors Corp., amounted to 142,000 units compared with less than 124,000 units in March.

* * *

The Old Sayings

Speaking of dull markets, with the volume of trading down to as low as 1,850,000 shares a day, all of the old time rules about trading in a dull market are coming to the fore. Most of these pet sayings of the old timers seem hopelessly inappropriate to the kind of market that exists at present. The favorite of all of them is "don't sell a dull market," yet many of the professional operators are undoubtedly laughing up their sleeves as they continue to sell stocks and take their profits here and there. One broker has issued a special letter on investment technique in a dull market which has much commonsense to it. Why wait for an active, boiling market, this letter asks, in which values are upset by speculative buying, when one can study values in quiet contemplation at present and find a solid basis of making his investment selections?

* * *

Merger Effective

The merger between Wilcox Rich and Eaton Axle, seems assured in the fact that 230,000 shares of Wilcox Rich Class "B" stock have been deposited, this being 70 per cent of the total amount outstanding and more than the minimum which had been set to make the merger effective. In making this announcement, President J. O. Eaton, chairman of the board of the company which bears his name, said that the combined earnings of both companies was over twice the dividend requirement in April.

* * *

New Acts for RKO

After several years of premature expectation concerning the commercial exploitation of television, the General Electric Co. put on several "acts" in a New York State RKO Theatre, which was viewed by two thousand paying spectators at each performance and declared a success. In attempting to overcome several stubborn technical obstacles heretofore confronted in commercial television, the General Electric engineers wandered into new paths and emerged with apparatus and technique that is said to be a radical departure from the old methods. For one thing, a screen with six square feet dimensions is now provided which offers satisfactory view for a 2,000 seat theatre and the number of broadcasting channels necessary to carry the "program" over the air has been reduced to three. From the commercial standpoint, General Electric will be associated with Radio-Keith-Orpheum in this new departure in public entertainment and now enters a field that has unlimited possibilities for profitable exploitation.

* * *

Denver & Rio Grande Western 5's

These bonds, which are currently paying their regular interest, have an arrearage in unpaid interest aggregating 25%. The bonds were issued at the time of the reorganization of the road in 1924 but interest payments during the next five years were at the discretion of the management and did not become an actual fixed charge until February, 1929. While earnings were sufficient to cover interest on the issue during the five-year period, the management conservatively elected to employ the funds in improving the physical and financial condition of the road. Denver & Rio Grande Western is jointly owned by Missouri Pacific and Western Pacific and before these roads may receive any return on their investment in the common stock it will either be necessary to pay up the back interest or redeem the entire bond issue at its callable price of 105. With control of Missouri Pacific now vested with the Van Sweringens weight is given to the possibility of definite action along either of the latter lines.

* * *

No Change!

When General Atterbury, president of the Pennsylvania Railroad, has anything to say about the railroad outlook, newspaper editors usually provide liberal space to carry the message—especially if the outlook is particularly optimistic. Testifying recently before the Interstate Commerce Commission in answer to an anti-trust complaint that had been filed with the commission, the head of Pennsylvania declared that he expected no change in the volume of railroad traffic during the next three months. All of which was crowded into a corner of an inside page in less space than it takes to mention the item here.

EDITORIAL PAGE

Building Your Future Income

An Informative Department On Estate Building

Pleasure Pays Dividends

WE are all probably familiar with the experience of the business man who applied himself so intensively to storing away his profits for the day when he would close his desk for the last time and spend his later years in recreation and leisure, that he did not notice the time slipping swiftly by, and when his broken health finally compelled him to retire he was physically and temperamentally unable to enjoy the fruits of his labor. The old story of all work and no play. . . . While we must admire this man for his perseverance and industry, these sterling qualities are dimmed by his negligence in failing to safeguard his health and to avail himself more fully of his opportunities for pleasure and diversion.

The banker will earnestly endeavor to impress upon his clients the necessity for diversification in investment. Actually, however, he might well go a step further and also advise his client to diversify his pursuits and develop a well rounded program of work, exercise and pleasure. Indeed, the relation between enjoyable recreation and investment is not as obscure and vague as might appear offhand. Successful investment paves the way to a host of desirable pleasures such as extensive travel, motoring and outdoor exercise. Accepting these pleasures while we are still able to enjoy and appreciate them sharpens our viewpoint and better equips us both mentally and physically to successfully complete the tasks of the business world.

This is the season of the year when literally hundreds of thousands of golfers all over the country are dusting off their clubs and practicing with aimless swings at helpless dandelions. Fishing tackle is being sorted and camping equipment checked in preparation for the vacation days ahead. There may be a business depression but tourist agencies are not much concerned about it, for they have been doing a land office business arranging for the great annual trek to Canada, Europe, the Far East and in fact, to almost every conceivable resort at home and abroad. Countless roadside stands are being painted and restocked, ready to serve the horde of hungry and thirsty motorists touring the country. The beaches and lakes will soon be thronged with swimmers and sun bathers and thousands of organized camps will ring with the shouts of joyful youngsters released from school.

If the reader is one of the many persons who feel that they cannot pause long enough from their business to seek recreation, he is guilty of waste and neglect. Resolve now that this year you will invest in that trip, seek out that secluded trout stream, or cut off a couple of strokes from your golf game. You'll be well paid in health dividends.

Achieving Financial Comfort by Saving —But Not Stinting

The Writer, a Teacher Earning a Modest Salary and Without Self-Denial, Adequately Provides for Her Eventual Retirement

By YVONNE SABATIER

IN the final analysis, there are only an appreciably small number of us mortals who are born with the proverbial silver spoon within reach. Hence "estate building," like empire building, calls for perspicacity, wisdom and strategy. Earning has always been easier than conserving. The tragic significance of this platitude becomes cruelly manifest when one's lot is cast with the many thousands who educate the youth of these, our not always United States.

Twenty years ago, the writer began teaching in a small Mid-Western college for the munificent emolument of $850 per annum, out of which 5% was paid to a placement bureau. Today, financial independence in 1938 seems assured. Not retirement with immediate prospects of caviar and truffles, a Rolls-Royce and proscenium boxes. No, not that, but certainly a scale of living fully as gratifying as that of the average bourgeois family.

To disarm those who might think that such achievement is the result of continued soul-warping frugality, the following facts are recorded: (1) A library of almost 500 volumes—not incunabala nor first editions, to be sure—but books longed for and chosen after periods of prayer and meditation. (2) Five rejuvenating trips to Europe—not on first-class trans-Atlantic liners, but fairly comfortably on cabin boats. (3) Two summers in California with the sightseeing that accompanies such transcontinental journeys. (4) Attendance at national meetings, such as those of the American Association of University Women, a Conference on the Cause and Cure of War in Washington, state conventions of women's clubs and the League of Women Voters, an unforgettable month at the Williamstown Institute of Politics, and three summer-school terms at leading universities.

In order not to tax the credulity of those who have been convinced that college professors are hopelessly gullible and unpractical, it will be imperative to detail the thrift plans and economies carried out.

At the conclusion of five years, salary increases had brought the income up to $1,800 a year. During these years no attempt was made to create an estate since it was during this period that two trips abroad were made and two summers spent in study. However, an accident policy with $25 premiums has been continuously carried for twenty years. This policy provides for disability resulting from accidental causes. Fifteen years ago, a $5,000 twenty-year endowment life insurance policy was taken in a leading company. The premiums began at $220. Being a mutual participating policy, the premiums are now only $190. Since food and shelter in a village college community are fairly standardized as to cost, the making of a budget involved the long division of the short margin. Clothing, incidentals, pleasures, with fortunately very few doctor bills, allowed monthly accumulations of funds in a Savings and Loan Association.

Every fall these savings were increased by a loan from the bank which accepted the life insurance policy for collateral. This amount, varying from $500 to $1,000 was with faith and trepidation invested in conservative first-class diversified preferred stocks of rails, metals, public utilities and industrials. Whatever amount could comfortably be spared each month was returned to the bank until the loan was liquidated. During the past fifteen years, salaries have been increased to $3,600, so that it has been possible to accumulate $10,000 worth of so-called gilt edged stocks which average 6% dividends.

In 1922, it seemed wise to take out a deferred annuity policy with the Teachers' Life Insurance and Annuity Association of America, a corporation subsidized by the Carnegie millions and available only to those connected with educational institutions. In order to receive $100 a month for life beginning in February, 1938, it was necessary to pay premiums of $648. This seemed very heavy, but the problem of investing that amount annually in fool-proof investments appeared insurmountable.

Five years ago it was possible to take a duplex apartment, which was furnished, for $1,000. There are no Lalique ornaments, but two very comfortable Simmons beds are the articles deluxe. Some of the furniture was bought at sales, and upholstered and ducoed by loving hands at home. The curtains and

(*Please turn to page* 216)

Which Shall It Be—Bonds or Stocks?

Another Reader Accepts the Challenge and Ably Discusses the Relative Merits of Fixed Income and Equity Investments

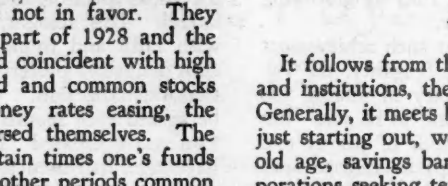
By M. Carlisle Minor

THE controversy which has been waging among the readers of THE MAGAZINE OF WALL STREET respecting the relative merits of bonds and stocks stimulates thought. Whether creditor claims are preferable to equity selections is a question which should not be answered, it seems, in any general, or dogmatic, fashion. The current answer is a variable one, depending, first, upon general economic conditions, and, second, upon the suitability of the particular investment medium to the requirements of the individual investor.

General economic conditions should be given attention for the reason that bonds and stocks react differently to the same set of conditions. High interest rates generally accompany inflated stock prices. Bonds then sell relatively low. When money becomes cheap, due frequently to a release of funds resulting from depression in industry, bonds rise in price. Common stocks then are not in favor. They scrape bottom. Thus in the latter part of 1928 and the first three quarters of 1929—a period coincident with high interest rates—bonds were depressed and common stocks were soaring. Recently, with money rates easing, the security price tendencies have reversed themselves. The significance of all this is that at certain times one's funds should be placed in bonds, while at other periods common stocks should be favored. In a word, the general economic situation determines whether a bond or a stock shall be chosen.

Forethought Governs the Choice

This proposition is not inconsistent with the idea that the time to invest is when one has the funds. It merely emphasizes the point that, when funds are in hand, the investor, before making any commitment, should analyze conditions for the purpose of determining which type of security is selling more nearly in line with its true value and offers, therefore, the better opportunity for the profitable employment of capital.



It goes almost without saying that, as a class, bonds are safer than stocks—that is, there is greater certainty that the exact number of dollars invested will be returned at some future date. Of course, this does not mean that, occasionally, bonds do not go wrong, or that, frequently, common stocks do not return manyfold the original commitment. Nor does it mean that there are not some common stocks which are better than some bonds. It does mean, though, that, within a certain company, these debtor obligations, carrying with them first claim on income and assets, are more secure than shares which merely represent ownership in a business venture.

United States Steel common, for instance, may be superior to Mexican government bonds but it is not as well secured as the underlying 5% obligations of this same company. Dividends can be paid only after all interest requirements have been met, and, in the event of liquidation, the bondholder is paid before the stockholder gets anything. These rights, which the courts recognize and protect, give to the bond its superior position so far as safety of principal is concerned.

Bonds First—Why?

It follows from this that, for certain types of individuals and institutions, the bond is the ideal form of investment. Generally, it meets best the requirements of the young man just starting out, women with small capital, both sexes in old age, savings banks, life-insurance companies, and corporations seeking temporary employment of surplus funds.

Some one may ask, "Why should a young man buy bonds? Why not purchase stocks that grow with the country and enable him to share in this growth?"

These questions imply an answer which is partially correct. A young man should buy stocks but—he should buy bonds first. There are several reasons for this position. In the first place, a financial structure should be built upon the soundest foundation obtainable. In the second place, greater skill and discrimination are required in selecting stocks than bonds. Being new and untried in the business of selecting securities, the young man may profitably postpone the making of stock commitments until he has had time to study, digest and understand the fundamentals of investment. Finally, bonds are an aid to the development of caution and conservatism. Quick, easy, or phenomenal profits in the stock market may spoil a man, young or old, but particularly a young man. They have a tendency to undermine his perspective, destroy his regard for true values, and lure him away from his main business,

"In any given case, the real problem is not merely one of determining the superiority of one type of security over another. The question goes deeper than that. Determination of the needs of the investor is the fundamental thing. Then follows the selection of that type of security which, in the light of then existing economic conditions, is best adapted to those needs."

thus aiding and abetting the development of habits that are pernicious and dangerous. At the beginning bonds are best for the young man.

In mentioning women with small capital we have in mind persons wholly, or primarily, dependent on investment income. In their case a large return may be a pressing need, but they cannot afford to lose. Safety of principal is paramount. An annuity, perhaps, would suit their situation better than bonds.

The case of aged persons presents a similar situation. The day of their earning power is gone. Losses suffered cannot be recovered. As investment income constitutes the sole source of sustenance, it should be certain. Being aged these people have little to fear from rising standards of living or shrinking dollars. They can choose, therefore, with confidence and safety, fixed income-bearing obligations. Should the accumulated capital be small, it would be proper to consider again the possibilities of the annuity.

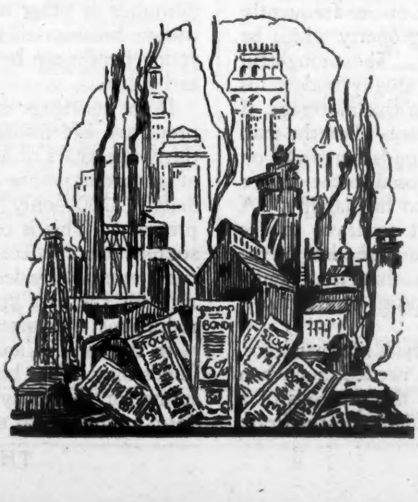
Savings banks and life insurance companies are large buyers of bonds. This is due largely to the state laws under which they operate. Underlying this legal requirement, though, is the desire for safety and the thought that the obligations of these institutions are fixed dollar obligations which can be met best through the ownership of promises to pay certain stipulated sums of money at some definite date. Sun Life Assurance Company of Canada is a notable exception but the general American practice favors bonds.

Little need be said here about the corporation for we are interested, primarily, in the individual investor. It is enough to observe that, as cash may be needed at any time, the investments should be in short-term bonds or call loans.

Two Main Objections to Bonds

So far as the individual investor is concerned there are two great objections to bonds. One is that they offer no opportunity to share in the prosperity of an enterprise. If a business succeeds it only increases the bondholder's margin of safety. His interest income remains unchanged. This is why he can expect no large increase in the price of his holdings; and this, in turn, explains why bond losses, when they occur, are so serious. There are no gains to offset them.

The other objection is that bonds afford no protection against fluctuations in the purchasing power of money. When commodity prices rise, which means a shrinkage in the value of the dollar, the bondholder suffers. He receives only a fixed number of dollars and each unit purchases less than before the rise. What he needs is more dollars in order to offset the decline in the purchasing power of each unit. That the ordinary bond does not give and the investor is confronted with a serious dilemma.



Some novel types of obligations have been devised in order to meet these objections. Just recently, for instance, a German industrial corporation issued some debentures with the provision that the rate of return should be fixed at a figure equal to the dividend the company paid on its common stock with a guaranteed minimum of 6% per annum. Not long ago another company stipulated that the interest return should vary with fluctuations in commodity prices. Obligations of this nature, though, are rare. Generally they possess neither the qualities of first-rate bonds nor those characteristics which lend attraction to common stocks as investments. They are made merely to sell and such novel provisions are designed to capture the interests of the prospective buyer.

Meeting the Objections With Stocks

The equity type of security meets best, perhaps, the named objections. With it go ownership, power of control and right to profits. If the business prospers the stockholder is rewarded either through an enhancement in the value of his holdings or through an increase in dividends—probably both. This helps the investor meet rising standards of living and affords some protection against a declining dollar. Where a country is young and growing, or where an industry has not grown up to the possibilities of the country, common stock ownership is a desirable method of sharing profitably in the future growth of the nation and its basic industries.

Of course, ownership involves risk. There may be losses as well as gains. Under certain conditions, though, this risk may be assumed, and, where the investment fund is large, it may be minimized by intelligent diversification. Young persons who have laid a firm foundation on bonds and individuals with business incomes sufficient to support them can afford to assume the risk incident to stock ownership, while people with large capital might even increase the safety of their commitments through the inclusion of common stocks along with bonds.

The point to be stressed is that the share of stock, like the bond, serves a purpose and this purpose fits in with the requirements of certain types of investors. Where this situation exists, common stock is the desirable medium of investment.

In any given case, therefore, the real problem is not merely one of determining the superiority of one typ of security over another. The question goes deeper than that. Determination of the needs of the investor is the fundamental thing. Then follows the selection of that type of security which, in the light of then existing economic conditions, is best adapted to those needs.

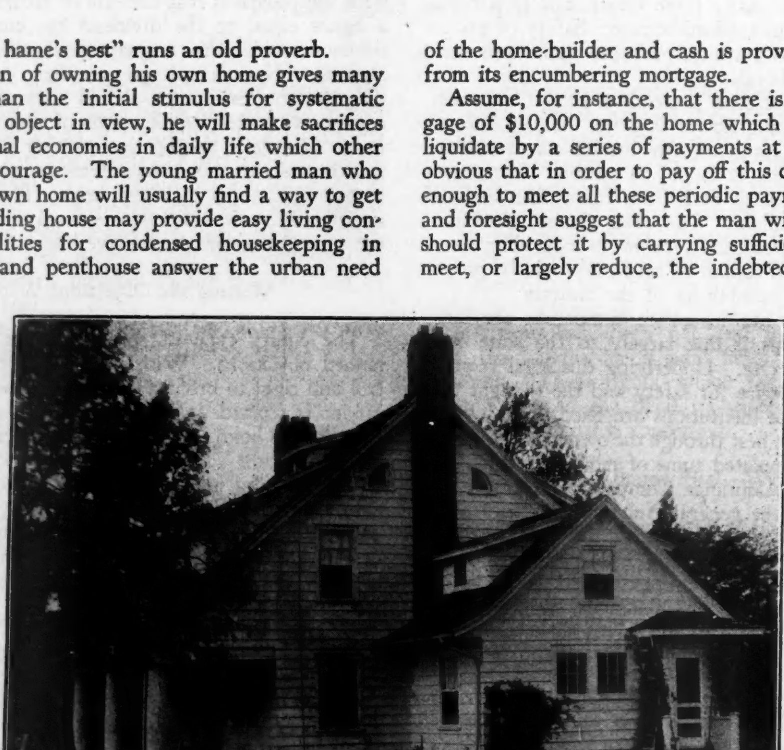
Protecting the Mortgaged Home with Life Insurance

This Article Should Command the Attention of Every Conscientious Home-Owner

By Florence Provost Clarendon

"EAST, West, hame's best" runs an old proverb.

The vision of owning his own home gives many a young man the initial stimulus for systematic saving. With this object in view, he will make sacrifices and practice personal economies in daily life which other interests fail to encourage. The young married man who wants to have his own home will usually find a way to get it. Hotel and boarding house may provide easy living conditions, while facilities for condensed housekeeping in modern apartment and penthouse answer the urban need of many city dwellers. But this type of home-making does not appeal to the man who wants a house of his own and to rear his children away from the city streets. To this man there is a pride of possession in his dwelling, a warmth in his "ain fireside," and a joy in his individual garden patch which compensate for the self-denial and economy which are necessary to owning his home unencumbered with debt or mortgage.



But in building or buying a home, the owner frequently finds it necessary to carry a lien on his property which he plans to pay off within a given period. The thoughtful man of practical and thrifty habits can usually budget his income to meet the required payments on this mortgage, if no untoward event arises to defeat his plans. But the man who has built or bought a home with funds borrowed on mortgage payable at a specific date is exposed to the danger of unexpected death before he has cleared his liability. A mortgaged home is a questionable asset to leave to the mother of a young family, for in addition to the loss of the breadwinner there is an even chance that the family troubles will be increased by the foreclosure of the mortgage.

The only stop-gap in such a contingency is life insurance. No one can tell when such funds will be needed, but when the need arises the money is ready, for the proceeds of a life insurance policy are immediately available on the death of the home-builder and cash is provided to free the home from its encumbering mortgage.

Assume, for instance, that there is an outstanding mortgage of $10,000 on the home which the owner expects to liquidate by a series of payments at fixed intervals. It is obvious that in order to pay off this debt he must live long enough to meet all these periodic payments. Common sense and foresight suggest that the man with a mortgaged home should protect it by carrying sufficient life insurance to meet, or largely reduce, the indebtedness in event of his unexpected death. If death should occur when the mortgage has been partially cleared, the balance remaining unpaid can be met by the covering policy, while the residue of the insurance proceeds will go towards the family's maintenance. The widow of the insured may thus enter into full title of their home, and have the means of keeping the family together under one roof. With sufficient additional funds from life insurance or other sources to tide over till the children or widow become self-supporting, the basic problems of the young family can be solved by their united courage, energy and thrift.

If the mortgage is for $10,000, the owner can obtain a protective life insurance policy for that amount. A man thirty-five years of age can effect such protection by means of an ordinary life policy for an annual cost of approximately $200—only 2% of the amount of the lien on his property. This is on a non-participating basis. If the insurance were effected through a company which apportions annual dividends to its policyholders, the premium rate for the first year would be higher, but the dividend reductions thereafter would practically equalize the cost with that on the level premium plan. Moreover, the dividends may either be taken in reduction of the annual premium, or they may be accumulated at interest, and thus form an additional savings fund for the future.

The interest payable on a mortgage loan of $10,000 is about $600 annually—sometimes more, depending on the locality in which the property is situated. An extra $200 a year for life insurance is only one-third more and fully protects the mortgage. It means only a little more emphasized self-denial, and is a long step in the direction of true thrift.

Cheaper Coverage Through Term Insurance

If the cost for protecting the mortgage must be pared down to the lowest possible price, then cheaper coverage can be obtained through insurance on the term plan. This form of policy may be procured for a term of years sufficient to protect the mortgage in case the insured should die before the expiration of the period during which he plans to liquidate his debt. This term insurance is the cheapest form of protection, building up practically no cash or other values as is the case in policies on permanent plans. But definite protection for a given period is provided at low cost, and if the policy includes the right of conversion the protection may be broadened at a later date by changing to a life or limited payment plan.

If a 10-year convertible term policy were taken at age 35, in the amount of $10,000, the annual premium would be about $95. Such policies carry the privilege of conversion to other policy forms, usually, within seven years after issue, without new medical examination. This gives the cheapest coverage for the home builder who finds it necessary to budget closely during these initial years of family life. Meantime his convertible term insurance permits him to leave the final decision as to change of plan until a later date when his financial affairs may enable him to make a better choice as to the type of insurance best suited to his permanent needs.

There is still another mode of protecting the mortgage on the home; through a *reducing term* policy, running over the period of the mortgage duration, with the insurance paid for by a *single premium*. This plan is one that commends itself to the man who wishes to get the insurance protection taken care of in one inclusive premium, and to carry sufficient coverage merely to balance the gradually decreasing lien on his property. With a building loan on which the borrower stipulates to pay monthly instalments in stated amounts over a given period, the reducing term policy gives a concurrently decreasing amount of protection adequate to cover the obligation which is being gradually paid off by the borrower. In this case the building and loan company, or other channel of obligation, is named as beneficiary, and in event of the borrower dying before the mortgage is cleared the proceeds of the reducing term policy will cancel the debt as specified in the mortgage. If the loan is paid off before the time limit expires, the life insurance policy still remains in force for the original period of the loan, and in case of the insured's death any surplus of the proceeds would be paid to the family or estate of the insured. This policy may be converted to another form (life, limited payment or endowment) at the time the loan is paid off, provided this takes place within the usual period of seven years allowed for such conversion. No medical examination is then required.

The single premium required for this reducing term policy at age 35 is approximately $250 for an initial face amount of $5,000, reducing each month for a period of about twelve years. This policy meets the practical needs of the man who is carrying his loan with an organization through which he reduces his mortgage obligation by monthly payments.

The coverage as above outlined follows his payments, *automatically decreasing in amount* and giving adequate protection while the mortgage is being gradually paid off from month to month.

TRADE TENDENCIES

Business Seasonally Quiet

Trade and Industry in Mild Recession— Building Heavier—Prices Still Weak

STEEL

Seasonal Recession to be Mild

THERE has been nothing in recent developments to suggest other than a mild seasonal recession for the steel industry during the next two months with an upturn appearing in August in response to the anticipated Fall bulge. Without the abnormal stimuli that made 1928 and 1929 exceptional years, steel may be expected to follow a "normal" course through the season. Railroads have accounted for heavy tonnage since the first of the year, but immediate needs for the period seem to be about satisfied, and, with railroad earnings at low levels, further buying is likely to be for urgent purposes only. In fact, rail mills

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COMMODITIES*

(See footnote for Grades and Units of Measure)

	1930 High	1930 Low	1930 Last
Steel (1)	$34.00	$33.00	$33.00
Pig Iron (2)....	18.50	18.50	18.50
Copper (3)	0.17⅝	0.13	0.13
Petroleum (4)...	1.45	1.30	1.29
Coal (5)	1.65	1.40	1.45
Cotton (6)	0.17½	0.14	0.16½
Wheat (7)	1.46½	1.20⅝	1.25⅞
Corn (8)	1.08⅝	0.96½	0.96½
Hogs (9)	0.10½	0.09½	0.10
Steers (10)	16.50	14.00	14.00
Coffee (11)	0.10¼	0.09¼	0.09¼
Rubber (12) ...	0.16⅝	0.14¼	0.14¼
Wool (13)	0.34	0.28	0.28
Tobacco (14) ...	0.14	0.14	0.14
Sugar (15)	0.03⅜	0.03¼	0.03¼
Sugar (16)	0.05¼	0.04⅞	0.04⅞
Paper (17)	0.03⅛	0.03⅛	0.03⅛
Lumber (18)....	20.33	19.11	19.85

* May 17, 1930.

(1) Bessemer billets, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per lb.; (4) Mid-Continent, 36°, $ per bbl.; (5) Pittsburgh, steam mine run, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 Red, New York, $ per bushel; (8) No. 2 Yellow, New York, $ per bushel; (9) Light, Chicago, c. per pound; (10) Top, Heavies, Chicago, 100 lbs.; (11) Rio, No. 7, spot, c. per lb.; (12) First Latex Crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (14) Medium, Burley, Kentucky, c. per lb.; (15) Raw Cubas, 96° Full Duty, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.; (18) Yellow pine boards, f. o. b. $ per M.

THE TREND IN MAJOR INDUSTRIES

STEEL—Accompanied by further irregularity in price structure, steel production is continuing a slight recessionary phase which may be expected to obtain through the present quarter. Somewhat heavier releases of automotive and structural steel are bolstering output totals; but earnings, on the whole, are thought to be sagging slightly under narrower profit margins.

METALS—With the advent of substantial buying from both foreign and domestic sources, copper has firmed to 13 cents a pound and heavy tonnages have been reported at that figure. Some slackening in orders is to be expected during the next month inasmuch as consumers are probably well stocked at this time; but producers' order books are well filled. At prevailing quotations, dividend reductions may become general in the industry.

PETROLEUM—Recent cuts in quotations for California crude oil should suffice to force recalcitrant producers in that section to curtail output to reasonable proportions. In the refining field, prices are strong, runs of crude to refineries are increasing and stocks of gasoline are declining as result of seasonally heavier consumption. Profit outlook for well integrated companies remains bright.

RETAIL TRADE—In April sales of chain stores and mail order houses increased 11.4% over the corresponding month last year and department store sales gained 8% in the same period. These gains, however, are due chiefly to the late Easter this year. Subsequent volume has probably undergone tapering except in seasonal lines.

AUTOMOBILES—Slowly expanding demand particularly noticeable in the small car field is resulting in slight increase in total output. In fact, sales of the two leading small cars in the first quarter were records for that period. Recent price cuts for medium priced vehicles should stimulate buying in that field, but are not likely to increase earnings to any great extent.

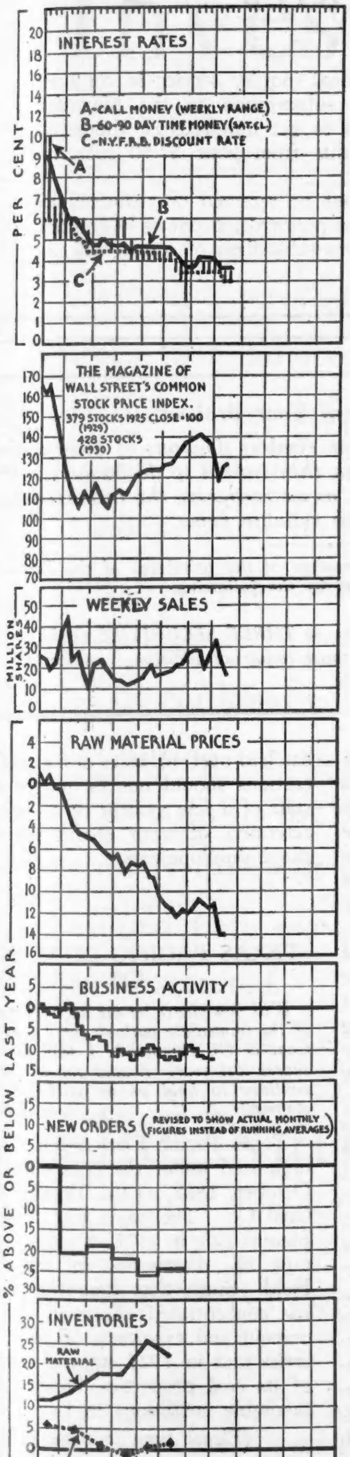
BUILDING—F. W. Dodge Corp. report of contracts awarded in April indicate an increase of 6% over March but a decline of 25% from April, 1929. The total for the four-month period this year is 17% below last year. Contemplated projects compiled by the Dodge Corp. amounted to $954,617,400 as compared with $732,735,900 reported in March and $940,240,100 in April, 1929.

AMUSEMENTS—During the first quarter, earnings of principal companies are estimated to have increased some 50% due to heavier volume of expensive features released and to growing popularity of talking pictures. The export field continues to expand, although opposition in some foreign countries and retaliatory tariff measures abroad may tend to foreshorten this field. Heavy production of talkies in various languages recently undertaken should further stimulate demand for American pictures abroad.

SUMMARY—All factors considered, business may be expected to continue near current levels through the near term. Little pick up is in prospect before early Fall; but the other hand, the customary Summer recession is likely to be mild.

THE MAGAZINE OF WALL STREET'S INDICATORS

Business Indexes*



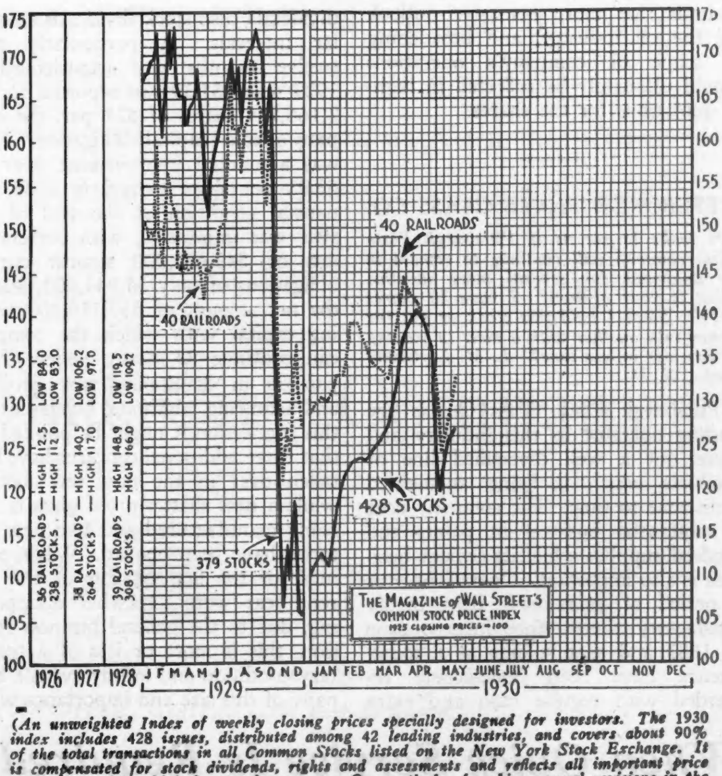
* see page 215 for important changes.

Common Stock Price Index

(1925 Closing Prices—100)

Number of Issues in Group	Group	1930 Indexes (428 Issues) High	1930 Indexes (428 Issues) Low	Recent Indexes May 10	Recent Indexes May 17	1929 Indexes (379 Issues) Close	1929 Indexes (379 Issues) High	1929 Indexes (379 Issues) Low
428	COMBINED AVERAGE	140.7	109.0	125.7	126.9	109.0	173.1	105.6
40	Railroads	144.5	124.3	126.8	133.0	129.0	169.5	120.8
3	Agricultural Implements	405.5	258.0	396.5	396.9	258.0	655.5	237.1
3	Aircraft (1927 Cl.—100)	153.1	82.2	126.3	130.3	86.0	307.1	78.0
8	Amusement	272.0	123.4	253.7	246.1	129.6	268.0	121.5
22	Automobile Accessories	118.1	84.2	98.7	98.2	84.2	212.6	82.9
18	Automobiles	78.4	53.0	64.6	64.2	54.2	134.9	52.1
3	Baking (1926 Cl.—100)	74.2	42.7	62.1	62.2	43.4	96.3	39.8
2	Biscuit	245.9	189.9	230.3	232.7	189.9	267.6	177.0
5	Business Machines	262.7	217.2	228.9	232.3	219.4	385.8	205.0
2	Cans	226.0	169.8	208.2	209.8	171.9	273.5	157.1
9	Chemicals & Dyes	248.5	209.1	224.5	223.0	220.4	363.9	204.5
4	Coal	107.9	83.8	95.3	99.6	83.8	124.0	77.0
16	Construction & Bldg. Material	121.8	80.9	104.5	106.9	82.4	145.4	76.6
13	Copper	211.7	144.2	152.9	151.0	194.5	391.5	189.6
4	Dairy Products	122.3	81.4	113.4	115.3	86.5	146.0	73.3
10	Department Stores	51.6	37.3	44.2	46.2	38.0	86.5	37.5
9	Drugs & Toilet Articles	142.0	128.2	133.0	132.7	128.6	199.2	119.2
8	Electric Apparatus	239.1	172.9	219.1	219.0	172.9	298.5	151.3
3	Fertilizers	54.4	40.1	41.9	47.7	40.8	121.4	36.5
2	Finance Companies	148.4	101.4	120.4	123.0	101.4	218.9	95.3
4	Furniture & Floor Covering	119.2	85.0	85.0-L	86.6	109.2	209.3	102.3
6	Household Appliances	92.5	57.3	79.8	82.9	57.3	110.8	56.6
4	Investment Trusts	184.9	125.7	162.4	165.6	125.7	406.2	113.3
3	Mail Order	170.0	125.1	149.3	152.7	132.6	418.6	127.5
4	Marine	88.8	61.7	70.1	66.9	62.2	93.7	60.1
3	Meat Packing	58.4	49.7	52.5	58.0	54.2	104.4	51.2
45	Petroleum & Natural Gas	142.5	102.1	133.8	131.4	106.7	171.7	104.5
6	Phono'phs & Radio (1927—100)	175.2	102.1	142.2	143.8	129.6	321.1	116.3
23	Public Utilities	305.0	224.5	281.5	285.1	224.9	388.4	194.2
11	Railroad Equipment	115.4	92.5	94.1	94.4	99.2	136.1	95.0
3	Restaurants	153.1	127.2	142.5	146.1	127.2	180.5	117.9
2	Shoe & Leather	116.5	79.4	99.1	99.6	79.4	178.3	76.3
2	Soft Drinks (1926 Cl.—100)	246.5	195.5	226.5	238.1	198.4	244.0	183.5
15	Steel & Iron	146.5	117.3	125.3	128.9	117.3	178.4	112.8
6	Sugar	45.1	26.2	27.3	26.2-L	39.7	81.6	39.2
2	Sulphur	268.7	214.0	245.8	249.3	214.0	295.2	191.4
3	Telephone & Telegraph	177.2	155.6	162.3	161.6	167.8	252.3	150.1
6	Textiles	70.5	49.9	56.8	56.4	49.9	128.5	48.1
8	Tire & Rubber	39.0	25.6	32.1	31.8	25.6	111.4	25.6
13	Tobacco	107.3	83.4	95.6	98.7	83.4	184.6	79.6
5	Traction	103.5	65.2	83.0	85.8	65.2	140.4	58.9
2	Variety Stores	88.7	77.8	78.5	78.7	88.7	138.8	83.9

L—New LOW record since 1928.



(An unweighted Index of weekly closing prices specially designed for investors. The 1930 index includes 428 issues, distributed among 42 leading industries, and covers about 90% of the total transactions in all Common Stocks listed on the New York Stock Exchange. It is compensated for stock dividends, rights and assessments and reflects all important price movements with a high degree of accuracy. Our methods of making annual revisions in the list of stocks included renders it possible to keep the Index abreast with evolutionary changes in the market, without impairing its continuity or introducing cumulative inaccuracies.)

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CONTINENTAL OIL CO.

Is Continental Oil common likely to cross 40 if the anticipated up move in the oils takes place? What is your opinion of this stock? I have been holding 100 shares which cost me 36 last year. Shall I continue to retain or close out around 27, even at a loss of $900?—H. S. B., Albuquerque, N. M.

An opinion of Continental Oil Co. is given in detail in the article on this company which appears on page 190 of this issue. In view of the prospects disclosed therein, we believe that you might profitably retain the shares which you purchased last year, on the grounds that more favorable outlook for the oil industry, and broadening of scope of company's operations should ultimately be reflected in higher quotations for the shares.

PITTSBURGH PLATE GLASS CO.

It looks to me as if Pittsburgh Plate Glass common will continue to remain in the doldrums for several more months. What is your opinion? I have 50 shares at 71? Shall I hold this stock or put the money into another with a view to making up my loss in less time?—L. M. L., Grand Forks, N. D.

Pittsburgh Plate Glass Co. is the leading operator in this industry and turns out a well diversified line of products which is being augmented from time to time. The company does a substantial business in paints and kindred supplies while its cement business is also important. Operations over a period of years have been highly satisfactory almost since incorporation in 1883 and shareholders as a consequence have been handsomely rewarded with regular cash and extra dividends, also stock dividends at regular intervals. A particularly good twelve months was experienced in 1929 when $5.39 was reported for the 2,166,524 shares of $25 par, the company's sole capital obligation. This was a marked improvement over the $3.91 per share earned in 1928. Financial condition at the end of last year was impressive, with current assets of $43,457,000 against current obligations of only $5,941,000, leaving the net amount of $37,516,000 working capital with which the company can continue its steady policy of expansion in developing new products and acquiring additional businesses. In this connection it might be pointed out that three additional concerns have been taken over in the past few months, while a new shatter-proof glass is now being manufactured and two new factories have been opened. While earnings for the first quarter of the current year were somewhat disappointing, due to the general business recession, this is more or less of a temporary condition and in any event a company of this size and importance which has had over 40 years of successful operations should not be judged on results of a few months time. We favor retention of your shares for longer range developments.

TEXAS PACIFIC COAL & OIL CO.

Will you please let me have your analysis of the immediate outlook for Texas Pacific Coal & Oil common? I paid 22 for 100 shares last year. Would you advise that I continue to hold on or sell?—M. E. G., Asheville, N. C.

Texas Pacific Coal & Oil Co. was organized under the laws of Texas in October, 1888, as the Texas & Pacific Coal Co. The name was changed to present title in 1918, a year of important oil discoveries in the Ranger Field. Since that time the company has concentrated efforts in the development and expansion of its oil properties and in 1927 stopped operations of its coal properties, because of unfavorable conditions in that industry,

(Please turn to page 218)

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Investment Advice

Advice is a term often used and often misunderstood. Analysis, rather than advice, should be the first step in any investment decision. Every corporate investor, before purchasing any type of securities, should analyze thoroughly its own financial position.

Then when its individual problems are clearly defined and understood, a competent investment organization should be consulted.

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General Foods

(*Continued from page* 194)

400,000 shares was sold to the Bancamerica-Blair Corp. This is reported to represent the former holdings of Mrs. E. F. Hutton, daughter of C. W. Post; and the controlling stock interest held by the chairman of the board of General Foods, E. F. Hutton, is believed to be undisturbed. Whether this purchase is intepreted as a prospective contest for control or not, it is significant that some of the strongest banking interests in the country are actively buying into General Foods and believe the future possesses great potentialities—as yet undiscounted in the market price of the stock.

With a yield of over 5% at current market levels; an earnings' trend that has been steadily upward, and promises to rise in the future at a more rapid rate; a stock representing a nearly "depression-proof" industry and one that enjoys seasonal improvement in the summer months ahead; an issue that also possesses the "mystery" element, so essential for attracting a speculative following, in the new Birdseye Frosted Foods process; and with the recent entrance on a large scale of important banking interests into the company—with a background of this character, the common stock of General Foods Corp. appears particularly attractive for investment purchases at this time.

International Hydro-Electric System

(*Continued from page* 189)

In addition to the Class A stock of which there are now 773,974 no par shares outstanding, the system's capitalization consists of 1,000,000 shares of no par Class B stock and 2,000,000 shares of no par common stock. The entire Class B and common shares are controlled by International Paper & Power Co. An issue of $30,000,000 convertible 6% gold debentures due in 1944 changeable into Class A stock prior to April 1st, 1939, at the rate of 19 shares of Class A stock for each $1,000 debenture is the only direct funded debt. Subsidiary companies, however, had outstanding with the public on December 31st last year funded debt of $188,819,845, preferred stocks of $99,926,825 and minority common stocks of $14,685,-801.

The Class A stock has a preferential claim on earnings to the extent of $2 annually, after which the Class B and the common shares receive an equivalent total amount. Thereafter the balance is distributable equally between the Class A and the Class B and common stocks together as a class. In other words, the maximum distributable earnings on the Class A shares will equal one-half of the total amount remaining for the equity stocks. Last year this would have amounted to $2.11 and based on the estimated per share earnings this year, about $3.15. Conversion of the debenture bonds and the possible increase of the Class A issue to acquire additional properties may tend to dilute the equity somewhat, but at the same time this will increase the amount of earnings available for distribution.

Dividends on the Class A shares were inaugurated on July 15th, 1929, by the payment in stock of 1/50th of a share of Class A for each share held, but shareholders have been given the option of taking dividends in cash at the rate of 50 cents quarterly. The dividend rate is equivalent to 8% in stock or $2 annually in cash. As the earnings of the system increase, the cash distribution may be increased, but before this is done dividends must first be paid on the Class B and the common stocks, which at present are not receiving any. The Class A shares are listed on the New York Stock Exchange currently selling for about 45 at which price a return of 8% is obtainable if the dividend is taken in stock and 4.4% if taken in cash.

Class A Stock in Attractive Position

The prospects for greatly increased earnings on the Class A stock are very promising for at least two reasons. First, large investments have been made in facilities which will only begin producing revenue over the next few years. In fact these facilities have been developed to the extent where no additional large investments are necessary. Second, the greater portion of the system's generating capacity is hydroelectric, and therefore the cost of operation is largely independent of output. A greatly increased output can be delivered without a corresponding increase in operating expenses and fixed charges. Under these circumstances and with the assurance of a market for increasingly larger amounts of power, the earnings on the Class A stock should show large gains. In attempting to evaluate a public utility equity stock it is of course necessary to take cognizance of future earning power, but this is truer in the case of International Hydro-Electric System than in practically any other utility. The earnings on the Class A stock for 1932, for instance, are estimated to be at least $9.70 and possibly as high as $13 per share after dividend participation. In making a commitment in the stock now it should be done chiefly with the idea of benefiting from the realization of these earnings.

New Haven Railroad

(*Continued from page* 195)

ings on the common would have resulted. What is likely to happen during the balance of 1930, with any improvement in volume of traffic handled, is not difficult to forecast.

At the current market price of around 115, New Haven common stock appears to be on the bargain table—not only from the standpoint of the 5.2% yield with the present $6 dividend, but particularly in view of the clear cut prospect for increased earnings once the trend of traffic revenues turns upward. Both equipment and locomotive condition is better than the average of all Class 1 railroads; and with a high level of efficiency constantly being maintained, the prospect is particularly bright for some raise in the annual dividend rate before the year is out. Pennsylvania's large investment in New Haven has already returned a handsome profit, and is likely to have a very important part to play in any eastern railroad merger plans of the future.

Coca-Cola

(*Continued from page* 194)

during the years of general depression in business; the unique position of the company in that it does an exclusive business and is in a position to benefit from declines in commodity prices; the unusually strong financial position and the surplus of close to $16,000,000; and the speculative interest fostered by stock dividends and merger possibilities, there has been a steady accumulation of the common stock during recessions by the shrewd investors who are apparently buying to hold until present potentialities bear fruit.

For Feature Articles To Appear in the Next Issue See Page 165

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New York Stock Exchange

RAILS

	1928 High	1928 Low	1929 High	1929 Low	1930 High	1930 Low	Last Sale 5/21/30	Div'd $ Per Share
A								
Atchison	204	182⅜	298⅝	195⅛	242½	216	227½	10
Do Pfd.	108⅛	102½	104⅞	99	107	102⅝	†105½	5
Atlantic Coast Line	191½	157⅛	209½	161	175½	161½	166	10
B								
Baltimore & Ohio	125⅝	103¾	145⅛	105	122⅜	110⅛	113¾	7
Do Pfd.	85	77	81	75	84½	78¼	†83	4
Brooklyn-Manhattan Transit	77¾	53⅝	81⅞	40	78⅜	63	69⅞	4
Do Pfd.	95⅝	82	92⅝	76½	93½	84⅞	†91	6
C								
Canadian Pacific	253	195½	265⅞	185	226¾	187⅝	207	10
Chesapeake & Ohio	218¾	175⅛	279¾	160	241¾	201½	†215	10
C. M. & St. Paul & Pacific	40⅛	22¼	44⅞	16	26⅜	18	20⅛	..
Do Pfd.	59⅝	37	68⅝	28⅛	46¼	31⅜	34⅜	..
Chicago & Northwestern	94¼	78	108⅛	75	89⅞	79½	82½	5
Chicago, Rock Is. & Pacific	139⅝	106	143⅛	101	125⅛	109	†111	7
Do 7% Pfd.	111⅛	105	109	100	110⅝	107	108⅝	7
D								
Delaware & Hudson	228	163¼	226	141½	181	161½	172¼	9
Delaware, Lack. & Western	150	125¼	169⅜	120¼	153	121	126	7
E								
Erie R. R.	72½	48⅜	93½	41½	49⅝	39⅜	47	..
Do 1st Pfd.	63⅞	50	66¼	55½	67⅜	61	63	4
Do 2nd Pfd.	62	49¼	63⅞	52	62½	57½	†57½	4
G								
Great Northern Pfd.	114⅝	93⅛	128⅛	85¼	99¼	83½	88	5
H								
Hudson & Manhattan	73½	50⅛	58⅜	34½	53⅝	46⅝	48⅞	3½
I								
Illinois Central	148⅝	131⅞	153½	116	136⅜	126	129⅜	7
Interborough Rapid Transit	62	29	58⅜	15	39½	20⅜	31⅜	..
K								
Kansas City Southern	95	43	108⅞	60	85⅝	71½	†72	5
Do Pfd.	77	66½	70½	63	70	67⅛	†69½	4
L								
Lehigh Valley	116	84½	102¼	65	84⅞	70¼	74	4½
Louisville & Nashville	159½	139⅝	154¾	110	138½	128	135	7
M								
Mo., Kansas & Texas	58	30½	65¾	27⅛	66⅝	46⅞	57⅝	..
Do Pfd.	109	101½	107½	93⅞	108⅜	103	104⅞	7
Missouri Pacific	76¼	41⅞	101⅜	46	98½	70	†78½	..
Do Pfd.	126⅞	105	149	105	145½	125	132	5
N								
New York Central	196½	156	256¼	160	192¾	167	176	8
N. Y., Chic. & St. Louis	146	121¼	192⅜	110	144	112½	114½	6
N. Y., N. H. & Hartford	82⅜	54⅝	132¼	80⅞	128⅛	107½	115	6
N. Y., Ontario & Western	39	24	32	8	17¼	10⅝	12⅛	..
Norfolk & Western	198½	175	290	191	265	226	†235½	10
Northern Pacific	118	92⅜	118⅞	75⅛	97	78	82½	5
P								
Pennsylvania	76⅞	61⅞	110	72½	86⅝	72½	77¾	4
Pere Marquette	154	124⅞	260	140	164½	141¼	†140	8
Pittsburgh & W. Va.	163	121¼	148¾	90	121¾	98¾	98¾	6
R								
Reading	119⅝	94¾	147⅜	101⅛	141⅛	110⅛	114	4
Do 1st Pfd.	40	41½	50	41½	50½	44½	†48	2
Do 2nd Pfd.	59⅞	44	60¾	43⅝	57	47¾	†48	2
S								
St. Louis-San Fran.	122	109	133¾	101	118⅞	107⅝	115¼	8
St. Louis-Southwestern	124½	67½	115¾	50	76¾	58	72	..
Seaboard Air Lines	30½	11⅝	21¾	9⅛	12½	8⅞	9⅝	..
Do Pfd.	38	17	41⅜	16¼	28	20⅜	21½	..
Southern Pacific	131¼	117⅝	157⅛	105	127	116	122	6
Southern Railway	165	139½	162⅛	109	136⅜	101⅛	112	8
Do Pfd.	102¼	96⅝	100	93	101	97½	98¾	5
T								
Texas & Pacific	194⅝	99½	181	115	145	117	133	5
U								
Union Pacific	224⅞	186½	297⅝	200	242¾	215	229¾	10
Do Pfd.	87¼	82½	85½	80	86½	82¼	85⅞	4
W								
Wabash	96¼	51	81⅜	40	67⅝	47	51	..
Do Pfd. A	102	88½	104⅞	82	89¼	83	†84	5
Western Maryland	54⅜	31¾	54	10	36	21¼	32¼	..
Do 2nd Pfd.	54⅞	33½	53½	14⅝	38	23½	†31	..
Western Pacific	38½	28¼	41⅞	15	30½	20¼	†24	..
Do Pfd.	62½	52½	67⅜	37½	53½	40½	47½	..

INDUSTRIALS AND MISCELLANEOUS

	1928 High	1928 Low	1929 High	1929 Low	1930 High	1930 Low	Last Sale 5/21/30	Div'd $ Per Share
A								
Adams Express	425	195	34	20	37⅞	23⅛	30½	1.60
Air Reductions, Inc.	99⅝	59	223⅜	77	150⅜	118	142	3
Allegheny Corp.	..	..	56½	17	35¼	23	27	..
Allied Chemical & Dye	252¾	146	354¾	197	343	255¾	301½	6
Allis Chalmers Mfg.	200	115⅛	75½	35⅛	68	49¼	62⅞	3
Amer. Agricultural Chem. Pfd.	79⅝	55⅝	73¾	18	10⅜	5¼	7¼	..
Amer. Bank Note	159	74¾	157	65	97⅜	77	†84	3
Amer. Brake Shoe & Fdy	49⅛	39⅞	62	40½	54⅝	44½	45⅛	2.40
American Can	177½	70¼	184½	86	156½	117¼	142	4
Amer. Car & Fdy	111½	88¼	106½	75	82½	52	†55	6
Amer. & Foreign Power	65	22⅝	199½	50	101¾	65	80⅛	..
American Ice	46⅝	28	54	29	41⅞	35⅛	37⅛	4.20
Amer. International Corp.	150	71	96¾	29⅛	55⅝	35⅝	43	2
Amer. Mchy. & Fdry.	180	129⅛	279¾	142	284¾	210	260	7
Amer. Metal Co., Ltd.	63¾	39	81¾	31½	51½	39¼	42⅜	3
Amer. Power & Lt.	95	62¼	175¾	64¼	119⅜	77	102½	1
Amer. Radiator & S. S.	191½	180⅛	55⅜	28	39⅜	30⅛	31⅞	1½
Amer. Rolling Mill	..	..	144⅝	60	100⅞	70½	73¼	2
Amer. Smelting & Refining	293	169	130¼	62	79½	65¼	69⅞	4
Amer. Steel Foundries	70⅝	50⅛	79⅞	35⅜	52¼	40¼	41	3
American Stores	..	..	514	120	55½	46¼	47⅝	3

Price Range of Active Stocks

INDUSTRIALS AND MISCELLANEOUS—(*Continued*)

	1928		1929		1930		Last Sale	Div'd
	High	Low	High	Low	High	Low	5/21/30	$ Per Share
Amer. Sugar Refining	93½	55	94¾	56	69⅞	60	62	5
Amer. Tel. & Tel.	211	172	310⅛	193¼	274¼	216	244¼	9
Amer. Tobacco Com.	184⅝	152	232½	160	263½	197	260	8
Amer. Type Founders	142¼	109⅞	181	115	141¾	125	130	8
Amer. Water Works & Elec.	76½	52	199	50	124⅞	88½	110	1
American Woolen	32⅜	14	27⅞	5⅞	20¼	7½	14	..
Anaconda Copper Mining	120¼	54	140	67¼	81⅛	52⅛	59½	7
Armour of Ill. Cl. A	28⅛	11¼	18⅝	5⅛	8⅛	5¼	6⅝	..
Arnold-Constable Corp.	51¾	35¼	40⅞	6¼	13¾	6⅜	9	..
Assoc. Dry Goods	75½	40¼	70¾	25	50½	28	42½	2½
Atlantic, Gulf & W. I. S.S. Line	59⅞	37½	86⅞	32⅛	80⅜	59⅞	†61	1
Atlantic Refining	66½	50	77⅞	30	51⅜	36¼	41⅞	2
Auburn Auto	..	..	85	40	263¾	150	161½	4
B								
Baldwin Loco. Works	285	235	66⅝	15	38	24⅝	27¾	1¾
Barnsdall Corp. Cl. A	53	20	49⅛	20	34	20½	26	2
Beech Nut Packing	101¼	70⅝	101	45	70⅛	55	†55	3
Bendix Aviation	..	..	104⅝	25	57¾	32⅞	41½	2
Best & Co.	102	53¾	60⅞	25	56¼	31⅛	49	2
Bethlehem Steel Corp.	86⅝	51⅞	140¾	78¼	110¼	91⅝	96	6
Bohn Aluminum	..	..	136¾	37	69	47⅞	54¼	3
Borden Company	187	152	100½	53	88⅜	60⅛	86⅞	3
Borg-Warner	..	..	86⅞	26	50½	32⅞	35⅞	4
Briggs Mfg.	63⅝	21⅛	63⅛	8⅛	22⅞	13⅛	21¼	..
Bucyrus-Erie Co.	48¾	24½	43¾	14	31⅞	22⅛	26	1
Burroughs Adding Mach.	249	139	96⅞	29	51⅞	37	39⅛	1
Byers & Co. (A. M.)	206¾	90⅛	192⅞	50	112⅜	70	93⅛	..
C								
California Packing	82⅝	68½	84⅞	63½	77⅛	65⅝	68¾	4
Calumet & Arizona Mining	133	89	136¾	73½	89⅞	59	62	6
Calumet & Hecla	47⅜	20⅛	61⅞	25	33⅜	16⅛	19½	1½
Canada Dry Ginger Ale	86½	54⅞	98¾	45	75⅜	57⅛	65	5
Case, J. I.	515	247	467	130	362¾	192¼	328	6
Caterpillar Tractor	..	..	61	50¼	79¾	54	74	3½
Cerro de Pasco Copper	119	58½	120	52¼	65⅜	51¼	55	6
Chesapeake Corp.	81⅞	62¾	92	42⅛	85½	63⅛	67¾	3
Childs Co.	64	37	75⅞	44¼	67½	53	64¾	2.40
Chrysler Corp.	140½	54¾	135	26	43	30½	35¼	3
Coca-Cola Co.	180½	127	154½	101	187⅞	133¼	182⅞	6
Colorado Fuel & Iron	84½	52½	78½	27¾	77	36½	60	2
Columbian Carbon	134¾	79	344	105	199	128½	149½	6
Colum. Gas & Elec.	140⅞	89½	140	52	87	69½	83¼	2
Commercial Solvent	250¼	137⅞	63	20⅛	38	25⅛	30½	1
Commonwealth Southern	..	..	24¾	10	20¼	12¾	17¼	.60
Congoleum-Nairn, Inc.	31½	22	35¾	11	19¾	13⅛	15¼	..
Consolidated Gas of N. Y.	170¼	74	183¼	80⅛	136⅞	96⅝	125	4
Continental Baking Cl. A	53½	26½	90	25¼	52½	27½	29	..
Continental Can, Inc.	128⅞	53	92	40½	71⅝	50⅛	63⅞	2½
Continental Motors	20½	10	28⅝	6⅛	8¼	4¾	5⅜	..
Continental Oil	..	..	47½	48	30⅛	19⅛	26½	..
Corn Products Refining	94	64⅝	126⅝	70	111⅝	87½	103	3¾
Crucible Steel of Amer.	93	69¼	121¾	71	93⅝	75¼	76	5
Curtiss Wright, Common	..	..	30⅛	6⅝	14⅞	6⅛	11	..
Curtiss Wright, A	..	..	37⅞	13¼	19¾	13⅜	14½	..
Cudahy Packing	78¼	54	67⅞	36	48	41½	44½	4
D								
Davison Chemical	68¾	34⅝	69⅛	21¼	43⅝	28⅝	34¾	..
Drug, Inc.	120½	80	126⅛	69	87⅜	77	80½	4
Du Pont de Nemours	503	310	231	80	145¼	112⅛	128½	4.10
E								
Eastman Kodak Co.	194¼	163	264¾	150	255¼	175⅝	241¼	8
Eaton Axle & Spring	68⅛	26	76¾	18	37¼	24½	27½	3
Electric Auto Lite	136½	60	174	50	114⅞	81	90	6
Elec. Power & Light	49⅜	28¾	86⅝	29⅛	103½	49¼	85	1
Elec. Storage Battery	91⅛	69	104½	55	79¼	66	69	5
Endicott-Johnson Corp.	85	74¾	83⅜	49¼	59⅝	50	50	5
F								
Federal Light & Traction	71	42	109	60½	90¼	59⅝	†71	1½
Fox Film Cl. A	119⅝	72	105⅝	19⅛	57⅜	16⅛	50	4
Freeport Texas Co.	109¼	43	54⅞	23¾	55½	38⅛	47	5
G								
General Amer. Tank Car	101	60⅞	123⅛	75	111⅞	99⅜	104½	4
General Asphalt	94⅞	68	94¾	42¼	71⅛	49⅛	56	4
General Electric	221½	124	403	168⅛	95⅜	60⅛	80⅛	1.60
General Foods	..	..	81⅜	35	61¼	46⅛	58	3
General Motors Corp.	224¾	130	91¾	33⅛	54¼	37½	50	3.30
General Railway Signal	123⅝	84¼	126½	70	106⅞	85¼	93	5
Gillette Safety Razor	123⅜	97⅛	143	80	106⅛	80⅛	85⅝	5
Gold Dust Corp.	143¼	71	82	31⅛	47⅞	37⅜	44	2½
Goodrich Co. (B. F.)	109¼	86⅛	105¾	38¼	58½	36	40	4
Goodyear Tire & Rubber	140	45½	154½	60	96⅞	62	83	5
Grandby Consol. Min., Smlt. & Pr.	93	89⅛	102⅞	46¼	59⅞	27	32½	8
Great Western Sugar	38¼	31	44	28	34½	25	26¼	2.80
Gulf States Steel	73⅞	51	79	42	80	51⅞	†54½	4
H								
Hershey Chocolate	72½	30⅝	143⅞	45	107⅝	70	106	5
Houston Oil of Texas	167	79	109	26	116⅞	52¼	95½	..
Hudson Motor Car	99⅞	75	92⅛	38	62⅞	41⅛	45	5
Hupp Motor Car	84	29	82	18	26⅝	17⅛	18¾	2
I								
Inland Steel	80	46	113	71	98	70⅝	†85⅞	4
Inspiration Consol. Copper	48⅞	18	66¾	22	30⅞	16⅛	19⅞	4
Inter. Business Machines	166¾	114	225	109	193	152½	179	6
Inter. Cement	94⅞	56	102¾	48	75⅜	55¾	67	4
Inter. Harvester	97⅞	80	142	65	115¾	78⅜	102¾	2½
Inter. Nickel	269½	73⅝	72¾	25	44⅝	30¼	32	1
Inter. Paper & Power "A"	86⅜	50	112	57	31⅛	26	†26⅝	2.40
Inter. Tel. & Tel.	201	139⅛	149¼	53	77⅝	58¼	62⅛	2
J								
Jewel Tea	179	77¾	84½	45	66½	43	57	4
Johns-Manville	202	96¼	242¾	90	148⅜	98	105¼	3
K								
Kennecott Copper	156	80⅛	104⅞	49⅝	62¾	41⅝	46	5
Kresge Co. (S. S.)	91¾	65	57⅛	28	36¾	29¾	30⅛	1.60
Kroger Grocery & Baking	132¼	73¼	122½	38¼	48⅛	30½	33¼	1

New York Stock Exchange Price Range of Active Stocks

INDUSTRIALS AND MISCELLANEOUS—*(Continued)*

	1928		1929		1930		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	5/21/30	Share
L								
Lambert Co.	136⅝	79⅝	157¼	80⅝	113	96	99	8
Lehn & Fink	64⅞	33	63½	23	36	23	29¼	3
Liggett & Myers Tob.	122½	83⅝	106	80⅝	113¾	81½	†107	5
Loew's Inc.	77	49⅞	84½	32	95¾	42⅛	87	3
Loose-Wiles Biscuit	88¾	46¼	88⅝	39½	70⅛	50½	64⅝	2.70
Lorillard	46⅞	23⅜	31½	14¼	28⅛	16⅝	25¼	..
M								
Mack Truck, Inc.	110	88	114¾	55½	88½	65⅛	70	6
Macy (R. H.)	157¾	134	255½	110	159½	125	134	2
Magma Copper	75	43⅜	82½	35	52½	32¼	35¾	5
Mathieson Alkali	190	117⅞	72⅝	29	51⅝	37½	43⅞	2
May Dept. Stores	118⅛	75	108½	45½	61⅝	49	52	2
McKeesport Tin Plate	78⅝	62½	82	54	86⅝	61	80¼	4½
Mont. Ward & Co.	156½	115¼	156⅞	49⅝	49⅞	35¼	42⅞	3
Murray Corp.	124¼	21½	100⅞	14⅞	25¼	18	20⅞	..
N								
Nash Motor Co.	112	80¼	118⅞	40	58½	38½	48	6
National Biscuit	195¼	169½	236⅜	140	91½	71	86⅞	2.80
National Cash Register	104¾	47¼	148¾	59	83½	53½	55⅝	4
National Dairy Prod.	133½	64½	86½	36	59¾	45½	56¾	2
National Lead	136	115	310	129¼	189½	137	†146½	8
National Power & Light	49⅝	21⅞	71⅝	23	58¾	22	44⅞	1
Nevada Consol. Copper	42⅜	17¾	62⅞	23¼	32⅜	17	20¼	3
North American Co.	97	58⅝	186⅜	66½	132⅞	93⅜	115¼	..
O								
Otis Elevator	285½	147¼	86	22¼	80⅝	67⅛	74¾	2½
Otis Steel	40¼	10⅛	55	22¼	38⅞	29⅝	29½	2½
P								
Pacific Gas & Electric	56⅞	43½	98⅜	42	74⅞	52⅛	67⅞	2
Pacific Lighting	85⅝	60	146½	58⅛	107⅞	72	95	3
Packard Motor Car	163	56¼	32½	13	23⅜	15⅜	17⅞	1
Paramount Publix	56⅝	47¼	75½	35	77¼	48⅝	65⅝	4
Penney (J. C.)	..	..	105¼	66	80	63	67⅞	3
Philips Petroleum	53⅞	35¼	47	24½	44⅜	29½	38⅝	2
Prairie Oil & Gas	66⅝	59½	65⅝	40½	54	45	45½	2
Prairie Pipe Line	..	..	65	45	60	50½	52	5
Public Service of N. J.	88½	41½	137⅞	54	123⅜	81½	111	3.40
Pullman, Inc.	94	77⅞	90½	73	89⅜	76	76½	4
Pure Oil	31¼	19	30⅜	20	27¼	21⅛	23¼	1½
Purity Bakeries	139⅞	75	148⅝	55	88⅞	66	70½	4
R								
Radio Corp. of America	420	85¼	114¾	26	69⅞	34⅝	46¼	..
Remington-Rand	36½	23½	57⅞	20⅝	46½	25⅝	34⅞	1.60
Republic Iron & Steel	94½	49¼	146¼	62¼	79½	50¼	54	..
Reynolds (R. J.) Tob. Cl. B	165½	126	66	39	58⅝	49	52⅝	..
Richfield Oil of Calif.	56	23¼	49⅝	20	28¼	20⅝	22½	2
Royal Dutch	64	46⅝	64	43½	56½	49½	53¼	3.20
S								
Safeway Stores	201¾	171	195¼	90½	122⅝	88	92⅝	5
Schulte Retail Stores	67½	35¾	41½	8½	13½	4¼	8½	..
Sears, Roebuck & Co.	197½	82½	181	80	100⅝	79	84½	2½
Shell Union Oil	39⅝	23¼	31¾	19	25½	20⅛	21½	1.40
Simmons Co.	101⅞	55¾	188	59⅛	94⅞	35½	37¾	3
Sinclair Consol. Oil Corp.	46⅝	17⅝	45	21	32	21⅝	27¼	2
Skelly Oil Corp.	42⅝	25	46½	28	42	28⅞	35¾	2
Standard Brands	..	..	44⅜	20	29¼	22	22½	1½
Standard Gas & Elec. Co.	84⅝	57⅞	243⅜	73½	129¼	102⅜	114	3½
Standard Oil of Calif.	80	53	81⅞	51⅛	75	55½	69⅜	2½
Standard Oil of N. J.	59⅝	37⅝	83	48	84⅞	58	76	2
Standard Oil of N. Y.	45½	25⅝	48½	31¾	40⅝	31¼	35⅞	1.60
Sterling Securities, A	..	..	38	8¼	20½	10¼	16¼	..
Stewart-Warner Speedometer	128½	77¼	77	30	47	25⅜	27¾	1
Stone & Webster	..	..	201½	64	113⅜	77	95⅞	4
Studebaker Corp.	87½	67	98	38⅛	47¼	35⅛	36⅛	4
T								
Texas Corp.	74¾	50	71⅞	50	60½	50⅞	57	3
Texas Gulf Sulphur	80½	68½	85½	48½	67⅜	54⅞	60	4
Texas Pacific Coal & Oil	26⅝	12½	23⅞	9½	14½	8⅞	10⅝	..
Tide Water Assoc. Oil	25	14⅜	23⅜	10	17¾	10⅜	16	.60
Timken Roller Bearing	154	112⅝	139⅝	58½	89¼	70⅝	*72½	3
Transcontinental Oil	14½	6⅜	15⅛	5½	24	16¼	20	.30
U								
Underwood-Elliott-Fisher	93⅝	63	181¾	82	138	97¼	106¼	5
Union Carbide & Carbon	209	136⅝	140	59	106⅝	76	83¼	2.60
United Aircraft & Trans.	..	..	162	31	99	43½	71⅞	..
United Cigar Stores	34⅝	22⅝	27⅞	3	9	4	6½	..
United Corp.	..	..	75⅛	19	52	30⅝	44½	..
United Fruit	148	131½	158½	99	105	86½	91½	4
United Gas Imp.	..	..	59⅝	22	49⅝	31⅝	44⅝	1.20
U. S. Pipe & Foundry	53	38	243⅜	95	38½	18½	32	2
U. S. Industrial Alcohol	138	102¼	56⅝	12	139⅝	84½	90½	7
U. S. Realty	98⅝	61¼	119½	50⅝	75½	60	65¼	5
U. S. Rubber	63¼	27	65	15	35	21½	26	..
U. S. Smelting, Ref. & Mining	71½	39½	78⅝	29⅝	36½	27	29	3½
U. S. Steel Corp.	172½	132⅝	261¾	150	198⅜	165⅜	170½	7
V								
Vanadium Corp.	111½	60	116½	37½	143½	49⅛	112⅜	4
W								
Warner Brothers Pictures	139⅛	80⅞	64½	30	80½	38⅝	62⅝	4
Western Union Tel.	201	139½	272¼	155	219⅝	168½	182½	8
Westinghouse Air Brake	57⅞	42⅝	67⅝	26½	52	40⅝	48⅝	2
Westinghouse Elec. & Mfg.	144	88¼	292⅝	100	201½	140	172½	5
White Motor	42⅝	30¼	58½	27¼	43	31	35⅝	2
Willys-Overland	33	17¾	35	5¼	11	7⅝	7½	..
Woolworth Co. (F. W.)	225⅝	175½	103⅞	52¼	72⅜	58⅛	62⅝	2.40
Worthington Pump & Mach.	56	26	187⅝	42	162½	67½	144	..
Y								
Youngstown Sheet & Tube	115⅝	88½	142	91	150½	108	†115	5

* Ex-dividend. † Bid Price.

Business Index Revisions

MENTION was made in a recent issue of revising the New Orders graph to show actual monthly figures, instead of two-months running averages as formerly. Experience has shown that changes in actual New Orders are more accurately prophetic than the running averages of turning points in the Business Activity graph.

With the present issue we inaugurate two other important changes in the Business Indexes which enhance their practical value as graphic recorders and forecasters of business conditions. The first of the present revisions consists of an expansion in the number of components of the Industrial Activity graph through the addition of lumber production, employment at Detroit (which reflects activity in automobile production), check payments, and Federal Reserve and Gold Note circulation. This makes the graph fairly representative of *business* activity as a whole, instead of merely *industrial* activity as the curve was originally constituted.

The second important revision is in our Inventories graph, which henceforth will be shown in two sections to bring out the striking contrast between finished goods inventories, which are subject to voluntary control, and stocks of raw material, which are extremely difficult to control. Our new Inventories graph brings out quite clearly the abnormal backing up of raw material which is largely accountable for the current depression in raw material prices.

Our Raw Material Index is a composite of fifteen items: California white pine, copper, cotton, common brick, hides and skins, iron ore, lead, Ohio foundry iron, petroleum, rubber, silk, tin, wheat and zinc. The finished goods graph is composed of fourteen items: cast iron boilers, finished cotton goods, refined cottonseed oil, enameled sinks, gasoline, gas and fuel oils, glass containers, hosiery, knit underwear, maple and oak flooring, meats in storage, pneumatic tires, Portland cement, upper leather, and wheat flour.

Securities Analyzed, Rated and Mentioned in This Issue

Important Corp. Meetings

Company	Specification	Date of Meeting
Abitibi P. & P.	Special	6-9
Am. Beet Sugar	Directors	6-10
Chic. & E. Ill. Ry.	Directors	6-4
Congoleum-Nairn	Directors	6-4
Fairbanks Co.	Directors	6-12
Glidden Co.	Special	6-2
Kraft Phenix Cheese	Special	6-4
Mid-Cont. Pet.	Directors	6-4
Pure Oil	Directors	6-5
Remington Rand	Directors	6-8
Remington Type.	Directors	6-8
Standard Oil of N. J.	Directors	6-3
White Rock Min. Spgs.	Directors	6-4

For Feature Articles to Appear in the Next Issue See Page 165

Achieving Financial Comfort by Saving—But Not Stinting

(*Continued from page* 201)

draperies were made by the owner, who shares the apartment with another teacher. The rent is $300 a year, a reasonable amount which permits the two occupants to keep their actual food and shelter expenditure to $2.50 per day.

What has been done in the past, *dieu voulant* can be continued and possibly improved upon in the future. In 1938 when the deferred annuity payments begin, the yearly investments of $1,000 will mean $18,000 plus the life insurance policy of $5,000 which will mature before that date. The interest at 6% will return $1,320, or an average of $110 a month. With the deferred annuity of $100 a month, this means $210 a month. In provincial France, one can live regally on such an income. In Southern California it is possible to enjoy life keenly on that income, while in Shanghai where a coolie's services may be had for $4 gold, one would feel like a veritable Croesus.

Price Slashing No Cure for Dull Business

(*Continued from page* 181)

against other metals, and wheat against rye. In order that a low price should turn the scales in favor of the use of one commodity at the expense of another, there must be a prospect of permanence in the new price scale. Substitution usually requires some change in the type of machinery employed. If new equipment is to pay for itself, there must be a prospect of permanence for its use. In the present situation, that prospect is far from certain. Rather the real expectation is that a little later on a great many of the present low prices will turn about and show distinct firmness. Cuts of this more or less temporary character are not likely to stimulate substitute uses for commodities on any substantial scale.

When the Consumer Benefits

The effectiveness of a price cut depends upon whether it is an emergency cut in the trough of a business cycle or is a long-term downward trend. Most of the cuts of the past six months are of the former character. Now, in relation to the business cycle, low prices of basic materials are usually associated with low demand. Demand suffers from the whole depression phase of the business cycle and a mere lowering of the price of a primary good will not induce users of that good to buy it when their own market is "shot to pieces."

A cut of the long-term trend type is usually much more effective. Such a decline is often associated with a trend of increased efficiency in the industry. It, therefore, represents a means of passing on to the consumer the benefits of permanently lowered costs of production. There are many striking cases of greatly increased consumption of this kind. The automobile is a good illustration. A sharp contrast is found in the building industry. With building costs more than double their pre-war level, demand for building tends to be depressed rather than stimulated by the price factor. If building costs were to be put on a real downward trend, the responsiveness of demand would doubtless be great.

But it needs to be emphasized that the bulk of the price cuts of recent months are of cyclical, not trend, character. There is no use deceiving ourselves therefore as to their effect on consumption. It will be relatively slight.

Higher Value of the Dollar

One reason for the small stimulus to demand coming from recent price cuts is that the price cuts are so general as to constitute a change in the value of money itself. The value of the dollar has appreciated. Money has been deflated. This is, of course, obscured to the public for the time being, as it always is in such periods until hindsight makes it clear. If it were a mere matter of slashing the price of a few articles, demand might in some degree be created for these articles at the expense of other articles which had remained stable. But that is not the present case. The present case is one affecting the majority of basic materials, and when price cutting becomes so universal, it tends to defeat its own ends. It simply changes the scale of reckoning values, without giving any marked stimulus or advantage to one commodity more than another. The present episode is an appreciation of money itself as well as a true cutting of individual prices provoked by abnormal individual situations.

The real and fundamental benefit of price cuts in basic materials at a time like the present, comes mainly from the restriction of production rather than from the stimulus to consumption. Low copper prices force the marginal copper mines to close up. Low oil prices force the oil fields to slow down or to lose money. Low steel prices force leading companies to use less of their excess capacity. Low wheat prices force, though very slowly, a readjustment of wheat acreage. So it is all along the line. Low prices restrict production, and thereby give consumption a chance to catch up. Accumulated stocks run down, not because demand has increased but because production has been curtailed.

Overproduction

The difficulty with practically all pools, farm boards, and other artificial price maintenance schemes lies in their inability to restrict production by any other device than drastic price cuts. The coffee valorization scheme in Brazil would work if the Brazilians could choke off excess planting at home and abroad. The Federal Farm Board in the United States could stabilize wheat prices if only they could persuade farmers to hold acreage down. The copper pool could have held the price of copper if only they could have destroyed the new marginal mines which sprang up on 18-cent copper. Some of the European cartels have been able, at least for considerable periods of time, to restrict production voluntarily and so to hold prices up. The oil industry in this country is now going through a broad experiment of the same kind.

The rock on which most such efforts sooner or later are dashed to pieces is simply the fact that the maintained price makes production attractive to new groups of producers who eventually flood the market. The one ruthless and absolute cure thus far developed is a devastating slash in prices. This cuts off the heads of the marginal manufacturers, the "boot-leg" miners, and the farmers who will not voluntary restrict acreage. In the process all producers are wounded, but the weaker, the less efficient, the high cost units are simply annihilated, leaving the field clear for a time for the survivors to operate on a profitable basis.

Why I Favor Group and Oppose Branch Banking

(*Continued from page* 176)

banks, all in our part of the country, largely with the same problems, sympathetic with each other, cooperating, coordinating, not consolidating, can and will prevent the monopoly which might come as a result of nation-wide branch banking.

Our cooperative group, with its 100 odd banks all in this part of the North-

west and Middle West, is attempting to retain the unit bank with all its advantages plus the strength and influence of a great corporation. This group is not dominated by Minneapolis, although that is the headquarters, because there are on the board of directors of the corporation 126 men, each of whom is a successful business man; and less than 30 of them reside in the city of Minneapolis.

A Revolt Against Centralization

The majority of the people in our part of the country, and I believe throughout the United States, are opposed to great national branch banks. Yet large banking institutions are necessary. It is impossible for the banks in our district to do the things for our territory that they ought to do without large resources. The cooperative group bank system is the answer. We are tired, as we say, of having the cow fed in Minnesota and milked in New York. We have paid tribute to the East from time immemorial, and you would be amazed if you knew the percentage of our wealth that passes out of the state every day to other hands in financing, in insurance, in interest and in forty other ways. We do not want to be dominated by New York or Chicago. It is not good for New York or Chicago and is not good for us.

There is a place for branch banking, but I believe that each branch bank should be confined to a small trade area, preferably the county. We have no objection to New York or Chicago coming in with capital and starting banks. What we object to is their starting branches of their existing banks. If the people connected with any bank in New York should choose to come to Minneapolis and organize a large bank and put their money in competition with us, we are willing. We do, however, object to domination by New York of our own resources, and the reason that people in this region do not object to similar domination on our part, if you choose to call it that, over the cities in our territory, is that unless you set up a unit of sufficient size and strength you cannot protect your country. That is why the banks in the Northwest are eager to come into our group or the parallel group of the First Bank Stock Corporation of Minneapolis and St. Paul. These two groups with their allied companies have combined resources of close to a billion dollars. We are able to handle the financial requirements of each small community which we serve and take good care of the small borrower as well as the large. We have found the way whereby the local bank can serve its community and compete with the big bank in a distant city at the same time.

The group banking system combines the strength of the branch bank with the individuality of the unit bank. It retains home interest and attains outside strength. It is different from chain banking in that its ownership and control is co-operative instead of being centralized, even though the chain banking system *does* retain the individual local unit. It is a natural evolution that is in line with the temperament and customs of the American people. It is in harmony with our political institutions and our dread of outside monopoly and arbitrary control. At the same time, it rescues the rural regions from the weakness and unstable financial conditions that have characterized unit banking in those regions during every period of marked business recession or financial deflation.

Answers to Inquiries

(*Continued from page* 208)

resulting from increased competition of fuel oil. The company's properties include 74,911 acres of land, owned in fee, leases on 486,984 acres and a joint ownership, with associates, of 28,266 acres of leaseholds. A refinery is owned at Fort Worth, Texas and one at Wynnewood, Okla., and two absorption gasoline plants are owned and operated for individual account, while two others are owned jointly with Mid-Kansas Oil & Gas Co. which operates them. Marketing of company's products has been augmented by the establishing of bulk stations in territory served by its refineries. Earnings reflecting conditions in the oil industry have been irregular, but in spite of the fact that production during 1929 was adversely affected by proration agreements, gross earnings increased about 20% over those for the previous twelve months, while reported net income was equivalent to $0.84 a common share as compared with $0.22 a share for the calendar year of 1928. The substantial gain in net earnings, may be attributed, in a large degree, to the decline of nearly 30% in allowances for depreciation, depletion, amortization, etc. Results for the first quarter of the current year do not compare favorably with those for the corresponding period of 1929, the company reporting slight decreases in both gross and net. However, financial condition of company at the close of last year was sound, and in view of the more favorable outlook for the oil industry generally, results for the full current year should show a fair gain in comparison with those of 1929. Although its shares must be regarded as

highly speculative, we are inclined to counsel further retention of present holdings pending further developments.

CONTINENTAL CAN CO., INC.

Has the current market price of Continental Can fully discounted its nearby prospects? Thanks to your recommendation I held on last February when I had a loss of five points on 100 shares. Now that I have a profit of $600 I am tempted to take it but shall be guided by your advice.
G. M. B., Spartanburg, S. C.

Continental Can is the second largest organization in its particular field and now operates 35 can manufacturing plants located at strategic centers in the United States. During the past two years the company has expanded steadily, having doubled plant facilities, while operations in Cuba were inaugurated some time ago. Net income in 1929 equalled $5.46 per share, against $4.89 per share earned in the previous 12 months. The expenditure of some $7,000,000 in 1929 for construction and improvements has placed the organization in a strong competitive position, while the redemption of the preferred stock last January leaves the 1,725,045 common shares as the company's only outstanding capital obligation. Operations of the organization have become more diversified in recent years and whereas it formerly depended on food packs almost exclusively, about one-third of the business now concerns containers for other lines. Prospects for the current year are encouraging with the likelihood that profits for 1930 will exceed those of the previous 12 months and financial condition at the beginning of the current year was very strong with net working capital equalling $34,404,000 against $23,825,000 at the commencement of 1929. The shares, in our opinion, have well defined profit possibilities for medium or long term holding.

E. I. DU PONT DE NEMOURS CO., INC.

How do you rate du Pont in view of the poor earnings and decrease in operations reported for the first quarter? Is it possible that du Pont may not receive its usual dividends from General Motors during the second quarter? Would you advise accepting a loss of over $250 which I have on 25 shares of du Pont bought in March?
—H. M. L., Easton, Pa.

E. I. du Pont de Nemours Co., Inc., is one of the largest and most comprehensive of our industrial organizations, being the leading unit in the powder and explosives industry, besides owning large interests in rayon, dyestuffs, paints, varnishes and chemicals. In ad-

dition the company owns approximately a 23% interest in General Motors common stock. The original business of du Pont was started as a partnership in 1802, the scope of operations having steadily increased with mounting earnings, particularly in recent years. As evidence of this fact net income of $5,762,000 in 1921 advanced to $81,999,000 in 1929. Comment on the company's finances must include its double function as a rich investing corporation and a manufacturing organization possessing impressive resources. Current assets on December 31st, 1929, totaled $106,996,000 against current liabilities of $22,398,000, while surplus account stood at the huge total of $144,920,000. The actual showing is still more striking as the General Motors holdings are carried in the balance sheet at only $16.50 per share, whereas they are worth over double this figure. Earnings for 1929 equalled $7.09 on the average number of shares outstanding, but reflecting less satisfactory results, income in the first quarter only totalled $1.52 per share. This was chiefly due to the drop of $7,000,000 in the amount received from General Motors. While the shares may remain somewhat retarded for the near term, reflecting in part poor automobile conditions, the diversified nature of the company's business, strong financial position and high grade management make it evident that the corporation should be able to hold its own under any and all conditions. The company's activities are being further expanded and the management contemplates spending some $25,000,000 on additional projects this year. While some patience may be necessary on your part, we see no necessity for sacrificing present holdings. The rights to purchase new stock at $80 will raise $28,565,000 which the company will use for further expansion of plants. Exercise of your rights, if you care to do so, will allow you to add to your investment in this high grade issue.

REPUBLIC STEEL CORP.

My broker tells me that Republic Steel common new has a very good chance of reaching 100 this year. He claims the stock is worth this much due to recent consolidations and the company's plans for further expansion. Do you approve of such a commitment?—E. M. D., Elmira, N. Y.

The Republic Steel Corp. in its present form is a recent consolidation of the Republic Iron & Steel, Central Alloy Steel, Donner Steel and Bourne-Fuller companies. This new concern is the third largest producer of steel in the United States, being exceeded only by U. S. Steel and Bethlehem and the program for the next few years calls for further large scale acquisitions. Capitalization consists of a funded debt of $59,059,400, subsidiary preferred stock in the amount of $5,000,000, 550,000 shares of 6% preferred stock of $100 par value and 1,985,144 shares of no-par common, giving effect to complete exchange of stocks of constituent companies. A pro forma balance sheet of the new consolidated organization as of December 31st, 1929, reveals a strong condition, total assets amounting to $331,717,816, of which $87,834,815 current assets compared with current liabilities of $16,514,663, leaving net working capital of $71,320,293. Cash and marketable securities were carried at $22,887,563 and land, plants, etc., at $227,753,066. Net income of the constituent companies over the past five years averaged $5.81 on the new common stock, while for 1929 net was equal to $8.53. In general, we believe the formation of the new corporation is along sound lines and the benefits of the consolidation and expansion program should be reflected in the form of increased profits later on, although we see nothing in the current situation to anticipate marked near term appreciation of the shares. Nevertheless the important trade position of the company, the ability of the management and the potential earning power make the stock a desirable long term holding and we would not oppose commitments during reactionary periods.

WARNER BROTHERS PICTURES, INC.

Shall I continue to hold Warner Brothers common? I have a nice profit on 50 shares which I contemplate taking, especially in view of the fact that earnings of amusement companies in summer months invariably show a decline. Have you any definite data on the rumored merger between Warner and Paramount?—E. M. F., Beaumont, Texas.

In the comparatively short time since its initial public demonstration of the Vitaphone in August, 1926, Warner Bros. Pictures, Inc., has become one of the leading corporations engaged in all branches of motion picture activity. The company has greatly augmented its position as a producer, and through the acquisition of Stanley Co. of America, has become a leading exhibitor with a material increase in its channels of distribution. Recently, other theatres have been added to the already large chain, further solidifying its position in that department. Furthermore, activities have been extended into many allied lines which enter into practically every phase of entertainment. Earnings have shown consistent gains in the past and for the six months ended March 1st, 1930, reported net income of $10,092,109 was equal, after preferred dividend requirements, to $3.67 per common share. This compares with net of $7,254,570, or $3.48 per common share for the corresponding period of the previous year, after adjustment to reflect the 2-for-1 split up July 2nd, 1929. Prospects for the future continue exceptionally bright and barring unforeseen developments, indications are that earnings for the fiscal year to end August 31st, next, will be in excess of $20,000,000. This would compare favorably with the $17,271,805 reported in the past fiscal year and would be equivalent to over $7.35 a share. On the basis of prospective earning power and the favorable outlook for the future, the shares are not overvalued at existing levels and we see no reason for disposing of present holdings at this time. The recent activity in Warner and Paramount has brought forth rumors of a merger between the two companies. However, this suggested fusion may not materialize in the near future, in view of the government opposition to any such transaction. It is possible, however, that the friendly relationship existing between the companies may be the basis for some new agreement for the joint use of films and theatres which would be of mutual benefit.

S. S. KRESGE CO.

S. S. Kresge common has been recommended to me for investment by a conservative house, but I would like to receive your advice before I buy. What is the outlook for this company, considering current business conditions?—M. T. L., Barberton, Ohio.

S. S. Kresge Co., has constantly expanded its facilities and now ranks as the second largest enterprise in the 5-and-10-cent chain store field, being surpassed in size by only F. W. Woolworth Co. Number of units now operated total 596 stores, about two-thirds of which sell goods at 5, 10 and 25 cents, while the majority of the balance retail at 25 cents to $1, thus giving the company a more varied line of merchandise. During 1929, it entered the Canadian field, and has opened 21 units to date, located between Montreal and Winnipeg. Reflecting to a large degree, increased number of stores, the company has shown an uninterrupted expansion of annual sales since 1918, and with the exception of 1929, a corresponding trend of earnings. While sales increased 6% last year, net income, for the first time in the company's history, showed a decrease from that reported for 1928. Earnings

Bank, Insurance and Investment Trust Stocks

Quotations as of Recent Date

BANK AND TRUST COMPANIES

	Bid	Asked
Bank of America, N. A. (4.50)	132	135
Bank of N. Y. & Trust Co. (*18)	745	770
Bankers (3)	163	166
Brooklyn (30)	817	830
Central Hanover (new) (6)	380	383
Chase (4)	168½	171½
Chatham-Phenix (16)	138	141
Chemical (new)	74	77
City (4)	197	200
Corn Exchange	216	220
Empire	90½	93½
Equitable (3)	134	136
First National (100)	5850	6000
Guaranty (30)	763	773
Irving Trust (1.60)	60½	62½
Manhattan Co. (16)	135	138
Manufacturers (6)	134	136
New York (new)	295	300
Public (4)	140	143
United States Trust (*60)	4350	4500

INSURANCE COMPANIES

	Bid	Asked
Aetna Fire (20)	69	71
Aetna Life (*1.60)	89	91
Carolina (*1.50)	31½	33½
Continental (*2.40)	37	39
Glens Falls (*1.60)	55¾	57¾
Globe & Rutgers (*24)	1110	1150
Great American (*1.60)	37½	40½
Hanover (*1)	52	54
Hartford Fire (*2)	79	81
Home (*2)	46	47
National Fire (New)	76	78
North River (*2.50)	63	66
Stuyvesant (*2)	55	65
Travelers (*24)	1490	1530
United States Fire (*2.40)	76	79

INSURANCE SHARES—Continued

	Bid	Asked
Westchester (*2.50)	60	63

SURETY AND MORTGAGE COMPANIES

	Bid	Asked
Lawyers Mortgage (2.80)	50	52¾
Mortgage Bond (8)	193	203
National Surety	90	94

JOINT STOCK LAND BANKS

	Bid	Asked
Chicago	10	14
Dallas (6)	75	83
Des Moines	3	7
First Carolina	2	5
Lincoln (4)	35	42
Southern Minnesota	1	3

INVESTMENT TRUST SHARES

	Bid	Asked
American Founders Trust com.	17¾	18¾
Do 6% Pfd.	46	50
Do 7% Pfd.	50	54
Diversified Trustees Shares	25	..
Do Series B	20¾	21¼
Fixed Trust Shares A	21¾	..
Insuranshares, ctfs.	15	16½
Interl. Sec. Corp. of Amer., B	27	32
Do A	58	..
Do 6% Pfd.	89	..
No. Amer. Trust Shares	9¾	10½
Oil Shares, Inc. (units)	54	60
Second Intl. Securities A	38	43
Do 6% Pfd.	44	..
Shawmut Bank	30	32
U. S. & British Interl. B	12	16
U. S. Electric Lt. & Pr. "A"	40½	42½
U. S. Shares, Series A-1	12¾	13⅝
Do Series A	13	..

* Including extras.

equalled only $2.68 a common share for the twelve months ended December 31st, 1929, as compared with $2.80 in 1928 and $2.51 in 1927, after giving effect, in latter two years, to a 50% stock dividend paid in 1929. Decline in income may be attributed to drop in margin of profit from 10.6% in 1928 to 9.6% in 1929, caused by unusually heavy expenses incurred in rapid expansion of retail outlets and adverse effects of unfavorable conditions in last quarter of year. Results for the first three months of the current year were unfavorable when compared with those of the initial quarter of 1929, the company reporting sales for current period 2.5% below those for the corresponding 1929 period and net of $0.49 a share against $0.57 for first quarter of last year. However, late reports indicate that decline has been checked, sales for the month of April and the first four months of 1930 increasing 11.9% and 1.3% respectively over those of the same periods of last year. Moreover, benefits of addition of 91 stores in 1929 should be more fully realized as the year progresses and allow, at least, a moderate gain in earnings for the full year. Although the shares cannot be considered a bargain at present levels, in view of company's strong financial condition and capable management, investment commitments for holding over a period of a year or more should prove satisfactory on a basis of income return and price appreciation.

INGERSOLL RAND CO.

Do you think the time has come to take a profit of 50 points which I have on 25 shares of Ingersoll Rand common bought in January? This commitment has proved so profitable that I hesitate to let go of the stock, but I shall be guided by your advice which has proved so profitable to me in the past.—H. D. O., Burlington, Vt.

Ingersoll Rand Inc., manufacturer of air compressors, pneumatic tools, engines, mining machinery, etc., reported

for the year ended December 31st, 1929, net income of $10,653,811, equal after preferred dividends to $10.54 a common share, an increase of about 33% over the previous record net of $8,017,186 or $7.87 a common share for 1928. Earnings have shown an upward trend since 1924, except for a moderate drop in 1927, which was in reflection of poor conditions prevailing in the oil industry. The record earnings of 1929 brought the company's surplus account to $17,936,827, or within $138,998 of the high mark set in 1920. In addition, funded debt of $1,000,000 was retired last year, leaving the company's balance sheet free of long term capital obligations. The freedom from funded debt and generally strong financial position has enabled the company to follow a liberal dividend policy in the past. During 1929, in addition to regular dividends of $4, extras aggregating $3 a share were declared, so that stockholders received $7 a share for the year. Current assets of $37,766,416 were approximately 12 times current liabilities of $3,054,994, leaving net working capital of $34,711,422. Confidence is inspired in the ability of the company to successively maintain a satisfactory rate of activity during a period of general hesitation in business such as now exists, by virtue of its well diversified output. While the shares at existing levels are selling slightly over 20 times earnings, apparently discounting the near term outlook to a considerable extent, such factors as the industrial importance of its products, worldwide market, skillful management and established record of successful operations, provide the required investment character to the issue. Essentially the shares are the type of investment from which the most favorable results are obtained over a period of time and holders willing to disregard intermediate market fluctuations seem warranted in retaining present commitments.

AIR REDUCTION CO., INC.

In your opinion has the present market price of Air Reduction fully discounted its excellent first quarter report and its prospects for the near future? I have 50 shares for which I paid 195 last September. Would you recommend that I average at this time?—A. J. G., Everett, Wash.

Air Reduction Co., directly or through subsidiaries, is engaged in the manufacture of oxygen, acetylene, nitrogen and other gases, chemicals, etc., and owns or controls important patents covering the production thereof. Although the type of business is comparatively new, in its oxy-acetylene apparatus, the company has produced some

of the most practical labor-saving devices known, for the cutting and welding of steel and other metals, and is the leading maker of such equipment in the United States. The company's products are sold chiefly to steel and railroad industries (which together, generally account for more than half of total sales), building, automobile, and ship and bridge building trades. Facilities are constantly being added to and improved, with the result that properties now consist of approximately 100 plants and 347 warehouses, so located, that its service is furnished to practically every important business center in the United States, also in Cuba and Porto Rico. An important minority interest in U. S. Industrial Alcohol is held, and a close management relationship is maintained with that company. With the latter, it also controls Pure Carbonic Co., which company is the second largest domestic producer of carbon dioxide. Earnings record of the company reveals a steady upward trend in recent years, net equalling $7.75, $4.60 and $3.58 for 1929, 1928 and 1927 respectively. Moreover, improvement was continued during the initial quarter of the current year, the company reporting per share earnings of $1.98, an increase of 23.1% over those of $1.68 for the first three months of 1929. Full 1930 year earnings should exceed 1929 returns, although it is likely that such an increase will be of a rather narrow margin. Dividends have been at the annual rate of $3 since July, 1929, with an extra of $1.50 being paid in October last. In view of the indicated larger profits for 1930, another extra dividend during the current year is more than a reasonable expectancy. Although present levels for its shares would appear to have discounted immediate prospects, in our opinion, the excellent long term outlook justifies commitments, providing purchasers are prepared to hold over a period of a year or more, disregarding intermediate market fluctuations.

Phillips Petroleum Co.

(Continued from page 191)

trolled at the end of the year. In 1928, a program designed to expand retail activities was initiated and in contrast with the 1,800 outlets at the company's disposal at the end of that year, there were about 6,750 at the beginning of 1930. Thus far in the current year Phillips has acquired the Beard Oil Co., and the Armould Oil Co., both of which enterprises will contribute substantially to the company's growing marketing division.

Despite restricted drilling, last year, the company's production of crude oil gained over one million barrels, totalling approximately 15,700,000 barrels and output of natural gasoline increased over 17% to nearly 220,000,000 gallons. Conceded to produce about 50% of the total gas used in the manufacture of carbon black in this country, Phillips last year produced 18,213,000 pounds of carbon black, or four times as much as in 1928. Sales of natural gas increased 53 billion cubic feet to 171 billion cubic feet and the sale of liquified gas registered a gain of almost 300%. Reflecting the company's increased marketing outlets, sales of gasoline and other refined products increased from 10,474,000 gallons in 1928 to 60,082,000 gallons last year and recently it is officially reported that sales of this division were at the rate of 150,000,000 gallons annually.

Important Factor in Natural Gas

While the trend in the consumption of natural gas both for industrial and domestic purposes has been steadily upward during the past twenty-five years, the increase in consumption has been particularly pronounced during the past few years, and construction of numerous high pressure transmission lines to serve large population centers to which natural gas has not been available heretofore, strongly suggests the likelihood that the recent tendency in consumption will be even more marked in this and subsequent years. Phillips, controlling large natural gas reserves, is obviously destined to be a leading participant in the natural gas industry and has already completed important arrangements for increasing its production and sale of this product. Jointly with the Oklahoma Natural Gas Co., the company is constructing a natural gas plant having a capacity of 25,000,000 cubic feet of gas daily and recently two new subsidiaries, the Phillips Natural Gas Co., and the Phillips Petroleum Utilities Co., were formed to facilitate the progress of the utilities division.

Aside from an issue of 5¼% debentures due June 1st, 1939 outstanding at $35,472,000, capitalization consists of 2,669,998 shares of capital stock of no par value. Recently, however, stockholders were given the privilege to subscribe to 675,709 additional shares of stock at $32 per share, on the basis of one new share for each four held. The "rights" to subscribe expire on June 16th. The funds derived from this offering will be used to reimburse the treasury for expenses incurred in carrying out the program of expansion previously referred to and to provide additional funds for enlarged refining capacity, extension of pipe lines and the acquisition of market outlets. Upon completion of this financing current assets will amount to about $40,000,000 and property values will exceed $194,000,000 against which reserves of $78,000,000 have been set up.

Reported earnings of the company for 1929 underwent substantial improvement and after deducting for taxes, interest, depreciation, depletion and intangible drilling costs, net profit was equal to $5.19 per share on the stock outstanding at the close of the year. In the previous year the equivalent to $2.48 per share was earned on the outstanding stock. Dividends, which had previously been paid at the annual rate of $1.50 per share, were increased to $2 last November and at the same time an additional dividend of 5%, payable in stock was also announced.

While prices of various petroleum products in the first quarter of this year were below those in the corresponding months of 1929, the company's gross income gained 40% and net income, before charges, increased 20% in contrast with results for the first three months of the previous year. After expenses and reserves net profit was equivalent to 60 cents per share on 2,669,998 shares outstanding. Under the improved conditions which have since prevailed, earnings for the second quarter will doubtlessly be substantially higher and assuming the ability of the industry to maintain reasonable measure of stability throughout the remainder of the year, per share earnings should compare favorably with 1929 results.

At present levels around 40 the shares return a yield of 5% and it is not unlikely that something in the nature of an extra dividend will be paid later in the year. Without losing sight of the past adverse experiences of the oil industry, the chaotic conditions which have resulted from uncontrolled production, and the disappointing action of oil shares as a result, the present outlook as already pointed out affords sufficient grounds for encouragement to justify the purchase of carefully selected oil shares. In this respect Phillips Petroleum shares, although not an investment in the strict sense of the term, qualify as an attractive and fairly priced speculation, with better than average profit possibilities.

New York Curb Exchange

IMPORTANT ISSUES

Quotations as of May 21st, 1930

Name and Dividend	1930 Price Range High	Low	Recent Price
Aluminum Co. of Amer.	356	275	298
Aluminum Pfd. (6)	109¾	105½	109
Amer. Cyanamid "B" (1.60)	37	24⅝	26
Amer. Gas Elec. (1)	157	113⅝	140
Am. Lt. & Traction (10)	89½	67½	73
Amer. Superpower (1)	39⅛	23⅜	33½
Assoc. Gas Elec. "A" (2.40)	46⅛	35½	38⅝
Celanese Corp.	35	20	22½
Central States Elec. (0.40)	39⅝	19	33
Cities Service (.30)	44¼	26½	35
Cities Service Pfd. (6)	93⅞	88	93⅝
Cleveland El. Ill. (1.60)	93	61	61
Cons. Gas of Balt. (3.60)	136⅞	90¼	126
Consolidated Laundries	16	10	13½
Continental Oil	17⅝	12⅛	†15¼
Cosden Oil	74¾	45	55¾
Deere & Co. (new)	162⅝	113	139
Durant Motors	7	4	4
Elec. Bond Share (6)	117⅞	80½	99⅝
Ford Motors of Canada A	38½	28	35⅛
Ford Motor of France	12¾	6⅛	11⅞
Ford Motors, Ltd	19⅛	12¼	18⅛
Fox Theatre A	17⅝	2½	12⅛
General Baking	4⅝	2⅝	3
General Baking Pfd. (3)	54⅛	34½	35
Gen. El. Ltd. rcts. Eng. (.50)	14	10⅜	12⅝
Glen Alden Coal (8)	121½	98	100
Goldman Sachs T.	46⅝	34	35½
Gulf Oil (1.5)	166⅞	131¼	145
Hecla Mining (1)	14	11½	†12
Humble Oil (2)	119	78	103
Hygrade Food Products	15	10	14½
Insull Util. Invest. Inc.	71	54½	†64

Name and Dividend	1930 Price Range High	Low	Recent Price
Insur. Securities Inc. (1.40)	23	17	18⅜
Internat. Pet. (new) (.62½)	24	17⅞	20⅝
International Utilities B	19½	6⅞	16¼
Lefcourt Realty (1.35)	..	..	†20½
Lion Oil Refining (2)	29	18⅝	27⅛
Lone Star Gas (new) (1)	55⅞	34¼	53
Metro Chain Stores	30	16	†17⅛
Mid. West Util.	38	25½	33¼
Mountain Producers (1.60)	12⅛	8	10¼
National Fuel Gas (1)	40⅞	25⅛	37⅝
New Jersey Zinc (2)	91½	66¼	†76
New Mex. & Arizona Land	7¼	3½	5
Newmont (4)	141⅞	105½	113½
Niagara Hudson Power (.40)	24⅛	18⅞	20⅞
North. States Pow. Pfd. (7)	110	95¼	110
Novadel-Agene (2)	34⅞	22⅝	28½
Ohio Oil (2)	74⅞	66⅛	71
Pennroad Corp.	16⅛	12	13
Pittsburgh Plate Glass (2)	59¼	50	†50½
Pittsburgh & Lake Erie (5)	130	111	†120¾
Safety Car & Heat. (8)	147	120¼	†135
Salt Creek Producers (2)	15¼	10	†12½
Standard Oil of Ind. (2½)	59⅞	49⅞	53⅝
Superheater Co. (new) (2½)	53	38	46½
Transcontinental Air Trans.	10⅞	6	9⅞
Trans Lux	13⅛	4¼	11¼
Ungerlieder	36⅛	26¼	28⅝
United Lt. & Pow. A (1)	56	27½	53⅛
United Lt. & Pow.cv.Pfd. (6)	119¾	97⅛	117⅛
Utility & Indus. Corp.	23¾	16⅛	18
Utility Pow. & Lt. (1)	28	14¼	22⅝
Vacuum Oil (4)	97⅞	85⅝	86⅝

† Bid price.

THE volume of trading on the New York Curb Exchange, in line with the action of other security exchanges, turned unusually dull during the past fortnight with few spectacular price changes throughout the list. *American Light & Traction* was quite active in the utility group as was *United Light & Power* which owns the controlling stock of the former utility. Oil stocks were quite dull and tended generally to sag off. *Gulf Oil* held quite firm during the early part of the fortnight, in spite of the severe damage by fire to its New Jersey river front property, but later sold off on a comparatively small volume of scattered liquidation.

Ford Motors of Canada

Investors who have considered *Ford Motors of Canada* unsuitable for their funds as long as it was on a non-dividend basis, will have the opportunity of collecting dividends for the last half of 1929 and the first half of the current year by becoming stockholders of record before June 2nd. At the end of the month, such shareholders will receive $1.50 a share, of which $1.20 will represent a regular dividend for the two six months periods mentioned above and the balance an "extra." The characteristic ability of a Ford organization to "come back" was again indicated by the 1929 report, recently issued, which showed net profits of $5,232,819 after depreciation, taxes and all other charges. This compares with a net loss of over $3,400,000 in the previous year, when the Ford companies were changing from Model T to the present Model A, and stopped factory production in order to make the change.

These earnings in terms of per share income amount to $3.15 a share on both the Class A and Class B stock which share equally in all profits of the company. The Class B is the voting stock and sells at a substantial premium over the A stock, although in every other respect they rank equally. The full amount of dividends which will be distributed on both classes of stock during 1930 will amount to $2.10 a share, not considering additional extras that it has been the policy of the management to pay out when earnings warrant. In the latter connection, it is interesting to note that the company is now turning out about 500 units a day which is up to the high water mark set by previous production schedules of the company's factories. The shares are recommended to the conservative investor who is looking for long range profits, now that the shares are on a dividend basis, through which the investment will at least pay its way, particularly in the case of the lower priced Class A stock.

Missouri Pacific

(*Continued from page* 187)

a most promising position, in view of the capable management it enjoys and the fact that its traffic is steadily growing. Due to the substantial capital expenditures made in recent years, Missouri Pacific is capable of handling a still larger volume of traffic very economically. The greatest part of any increase of consequence in total operating revenues could be retained for net railway operating income. In view of this, the earnings on the common stock should continue to improve. Regardless of mergers, Missouri Pacific is now soundly situated, for its territory is growing. In view of the sound fundamentals entering into the affairs of this carrier, the common shares at current levels of approximately 84 appear attractive as a long term commitment.

Shall I Buy Reparations Bonds?

(*Continued from page* 183)

it is accepted corporate practice for the company to capitalize this income by issuing securities. This is exactly what Germany's debtor nations are doing in the case of the Reparations loan. They have an assured and guaranteed income payable to them each year for 37 years. Against this income and through the fiscal agency of the Bank for International Settlements, the Reparations securities are being issued and offered to investors, the world over, who have surplus funds for investment.

In attempting to determine the investment desirability of the present Reparations bond issue, the question naturally arises: how safe and how well assured is the annuity against which these bonds are issued? Turning to the Young Plan, we find that the source of the income is the German government owned railways. In the exact wording of the Plan we find that:

"The railway company (operating Germany's railroads, all of which are owned by the government) shall be under obligation to pay for 37 years, a direct tax comprising, if necessary, the transport tax, to an annual amount of 660,000,000 Reichsmarks, being equal to the annual amount of the non-postponable annuity. This tax shall be imposed by the German legislation, *and the receipts therefrom guaranteed by the German Government*. . . . The amount payable shall be raised from

the gross revenues of the company, ranking after the expenditure on personnel, and on the same footing with expenditure on material and consumable stores. It shall enjoy priority over any other tax now levied on the railway company, or which may be levied in the future and shall rank prior to any other charge, by way of mortgage or otherwise, on the company."

First Charge on Railroad Income

In other words, these annuities are a first charge on the gross income of the German state railways, ranking ahead of taxes and mortgages, and further guaranteed by the German Government. In the least technical terms that we can think of to summarize this factor of security, the German Reparations Bonds are better than a first mortgage railroad bond (on a foreign railway system of course) in addition to being a direct obligation of the German Government. Another way of fixing the position of this issue, would be to imagine that the tables were turned and a German investor were making his appraisal of a similar situation in the United States. In this imaginary situation, the imaginary German investor would be forced to conclude that the issue was a sort of consolidation of Liberty Bonds and Atchison General 4s of 1995, retaining the best features of each.

As a matter of fact, foreign bankers are far more inclined to rate the Reparations bonds in this fashion. The price of the issue in the world investment markets has been a subject of considerable debate between the representatives of the American bankers who are sponsoring the issue in this country and the foreign bankers who are sponsoring the foreign allotments. Press dispatches have indicated that the foreign financiers wish to place the issue on a 5½ per cent yield basis. The American sponsors insist that it must be priced to correspond more nearly to the Dawes Loan (German External 7s of 1949) at its present open market value in this country.

The faction abroad which opposed such liberal terms for the present issue, counters with the statement that the Dawes Loan was sold too low in the first instance and point out that the former issue sold at an immediate premium over its issue price of 92; sold over par in the following year and is now commanding a premium of from 16 to 17 points over its issue price. Whether a similar performance of the Reparations bonds will be witnessed will depend largely on future investment conditions in this country and continued progress in Germany's economic recuperation, but the probabilities are largely on the favorable side.

International Harvester

(*Continued from page* 197)

significance to note the company's very liberal policy with respect to deductions from earnings for reserves. For example, last year the company in addition to charging off $8,938,953 for plant depreciation, deducted $3,632,262 for special maintenance to provide for relining blast furnaces, maintenance of docks and other renewals and replacements. Total expenditures for these purposes in 1929, however, were less than $355,000. The sum of $2,000,000 was set aside for engineering research and development expenses; $4,899,495 for losses on receivables; $750,000 for collection expenses; and $1,750,000 for contingencies. The total of these various deductions for the year was equivalent to $5.17 per share of common stock and constituted about 38% of gross income.

Property values, after allowing for various additions for which expenditures were greater than for any previous year, and deducting for property sold or dismantled, were carried at $174,544,378. Reserves for depreciation totaled $59,201,015, more than 33% of the property account. Book value of the common stock increased during the year from $52.95 at the end of 1928 to $59.37.

Conservative Dividend Policy

After payment of preferred dividends, there remained a balance equal to $7.10 per share on the 4,409,185 shares of common stock outstanding as compared with $5.57 per share in 1928 and the average annual earnings for the past five years of $4.77 per share. The present dividend rate of $2.50 per share annually is but little more than one-third last year's earnings and slightly over one-half the five-year average. It is therefore, evident that the conservative policies of the management emphasized in the balance sheet are also followed with respect to dividends.

The highly seasonal nature of the farm implement industry, due to its dependence upon crops and crop prices, precludes the possibility of making an accurate estimate of prospects for the balance of the year. Uncertainty which has arisen regarding the winter wheat crop is reported to have curtailed equipment purchases but as yet the situation has developed no alarming aspects and has, in a measure, been offset by a marked increase in exports. Agricultural implements exported in the first quarter of the current year had a value of $50,243,000 as contrasted with $36,799,000 in the corresponding months of 1929. On the whole, it is reasonable to anticipate that earnings of the principal companies for the first six months, at least, will compare favorable with 1929 results and barring unforseen developments of a drastic and adverse nature in the last half, the outlook for the full current year may be considered to be fairly optimistic.

Summarizing the highlights of the preceding paragraphs, we find International Harvester to be the undisputed leader in a prosperous and important industry, with operations thoroughly integrated and practically unlimited in scope. The high standard of its merchandise has bred an enviable reputation and built up a highly desirable asset in the form of good will. Active in research and development, standing ready to assist the farmer in increasing the efficiency of his labors; and with a smoothly functioning sales organization and substantial resources, the company is adequately equipped to maintain the same measure of progressiveness upon which its success has been built.

Selling around 100, or about fourteen times 1929 earnings to yield only 2.50%, the shares judged by the usual standards are not underpriced. To a considerable extent, however, present levels are warranted not only by the conclusions drawn above but by the "hidden equities" represented in the generous reserves and the possiblity of increased dividends. Moreover, present quotations, in comparison with the shares of other leading industrials, show a low ratio to book value, even though the latter is admittedly ultra-conservative.

The shares of International Harvester partake of all the sound characteristics of a sound equity investment and as such should commend themselves to the investor who is in a position to afford an issue yielding a low return, yet having excellent compensatory inducements when viewed from a longer term standpoint.

The New Tariff Affects Your Investments

(*Continued from page* 179)

sessed by those American companies that bought their stumpage before the high timber markets of 1922 and 1923 and the menace to Canadian lumber interests and American capital invested in the Canadian industry have all been duly registered in this bitter

(*Please turn to page* 231)

Recent Reported Earning Position of Leading Companies

This department serves to provide a current record of earnings reported by leading companies. Each issue covers only those reports which are received during the fortnight immediately preceding. Net worth is calculated from the latest available balance sheet; and earnings thereon serve to measure the profit position of the company in relation to its stockholders' investment. The ratio of debt to net worth indicates, by a percentage figure, the extent of bondholders' claims as compared to stockholders' equity.

Industrials

Company	Period of Report	Earned per Dollar of Net Worth	Ratio of Debt to Net Worth	Earned per Share of Common	Market Value May 19, 1930, Times Earnings	Dividend Rate
Albany Perfor. Wrapping Paper	9 mos.	.07	81	1.69(b)	5.2(g)	—
Amerada Corp.	Quarter	(d)	ND	(d)	—	2
Amer. Commercial Alcohol	Quarter	.02	1	.45	10.8(g)	1.60
Amer. Rolling Mills Co.	Quarter	.01	45	.51	36.0(g)	2(a)
Amer. Ship Building Co.	6 mos.	.02	ND	3.37	11.5(g)	8
Amer. Steel Foundries	Quarter	.02	ND	.91	11.5(g)	3
Amer. Writing Paper Co.	Quarter	.01	59	.19	9.5(g)	—
Anaconda Copper Mining	1929	.12	6	7.33	7.5	7
Andes Copper Co.	1929	.13	ND	3.11(c)	8.7	3
Art Metal Construction Co.	Quarter	.02	ND	.49	13.2(g)	2
Atlant., Gulf, & W. Ind. S.S. L.	1929	.09	77	10.93	5.6	1
Blue Ridge Corp.	Quarter	NR	NR	.39	6.8(g)	—
Bon Ami Co.	Quarter	.05	ND	1.48-A .86-B	12.3-A(g)	4
Burns Brothers	Quarter	.03	1(m)	4.47-A(b)	5.7(g)	8
California Packing Corp.	Year	.11	ND	6.16	11.1	4
Canada Dry Ginger Ale	Quarter	.06	ND	.88	18.2(g)	5
Caterpillar Tractor Co.	Quarter	.07	ND	1.79	10.4(g)	3(a)
Certain-teed Prod. Corp.	Quarter	(d)	53	(d)	—	—
Chile Copper Co.	1929	.17	27	4.94(c)	12.1	3
Chrysler Corp.	Quarter	NM	39	.04	206.2(g)	3
Columbian Carbon Corp.	Quarter	.04	ND	1.62	22.4(g)	5(a)
Consolidated Cigar Corp.	Quarter	.02	1	1.07	10.0(g)	7
Continental Baking Co.	15 weeks	.02	9	.04-A	205.3(g)	—
Coty, Inc.	Quarter	.07	4	.61	11.1(g)	2(a)
Equitable Office Bldg.	Year	.22	261	2.70	17.7	3
Federated Dept. Stores	Year	.13	32	3.18	10.0	—
Follansbee Bros.	Quarter	(d)	22	(d)	—	3
General Motors Corp.	Quarter	.05	ND	.93	12.1(g)	3(a)
Gobel (Adolph), Inc.	16 weeks	.01	20(m) (s)	.23	19.1(g)	—
Hecla Mining Co.	Quarter	.06	ND	.29	10.4(g)	1
Houston Oil of Texas	Quarter	.01	16	1.55	15.2(g)	—
Inter. Nickel Co. of Canada	Quarter	.03	ND	.30	27.2(g)	1
Louisiana Oil Refining Co.	Quarter	(d)	ND	(d)	—	—
Ludlum Steel Corp.	Quarter	(d)	ND	(d)	—	2
Mack Trucks, Inc.	Quarter	.01	4	.64	26.4(g)	6
Marlin-Rockwell Corp.	Quarter	.04	ND	1.03	9.3(g)	2(a)
Mengel Co.	Quarter	.01	24	.26	10.6(g)	2
Mexican Seaboard Oil	1929	(d)	ND	(d)	—	—
Mid-Continent Petroleum	Quarter	.01	ND	.54	12.7(g)	2
National Supply Co.	Quarter	.01	ND	.40	66.1(g)	5
National Tea Co.	Quarter	.02	6	.54	14.1(g)	2
New Jersey Zinc Co.	Quarter	NR	NR	.75	25.8(g)	2
Newport Co.	Quarter	.03	ND	.82	19.8(g)	2
Phila. & Reading Coal & Iron	1929	(d)	102	(d)	—	—
Pullman, Inc.	Quarter	.02	ND	1.16	16.6(g)	4
Pure Oil Co.	Year	.04	22	1.51	15.6	1½
Raybestos-Manhattan, Inc.	Quarter	.02	ND	.67	14.8(g)	2.60
Revere Copper & Brass	Quarter	.01	35	.57	10.2(g)	—
Rio Grande Oil Co.	Quarter	.03	ND	.95	5.4(g)	2
Scott Paper Co.	4 mos.	.05	6	1.81	10.8(g)	1.40
Shell Union Oil Co.	Quarter	(d)	39	(d)	—	1.40

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debate. Reports just received indicate that a victory has been won by the manufacturers in the form of a compromise rate of $1 per thousand board feet. It is estimated that this rate will add around $75 to the average cost of constructing a house.

The battle for a free tariff, waged almost exclusively by the American lumber dealers, involved considerable "log rolling" and "trading" of votes; but the final result will be less favorable than under the present Fordney-McCumber bill for the vast army of lumber retailers, and distinctly helpful to large companies owning extensive timber stumpage—such as the Long-Bell Lumber Co.

More than 150 different increases in duties on farm products are included in the final tariff bill, with California and Florida receiving the largest number of direct benefits to agriculture. These two states have a monopoly on the domestic production of oranges, lemons and grapefruit, with an annual cash income estimated at around $100,000,000. There are around 57,000 orange growers, 22,000 growers of grapefruit and some 16,000 lemon growers in these two states who will benefit in a material way from the Hawley-Smoot bill—but at the expense of the general public who will have to foot the bill. Large fruit-packing companies having their own plantations will also benefit from the increased tariff. Certainly the Mediterranean fruit fly scare of recent years exacted a threatening toll, and the increased tariff will at least afford the citrus fruit industry an opportunity to recoup some of its losses.

While sheep herders, growers of long staple cotton and the domestic beet and cane sugar growers will receive material benefits, the great majority of the 6,000,000 farmers in the country will be forced to share with the city consumer in paying the increased costs on food, clothing and the common necessities of living. The only loophole now open, and one that is not in favor with President Hoover, is the export-debenture plan. This is a device designed to give the exporter of wheat an opportunity to receive debenture certificates entitling him to bring back goods in exchange, on which the certificates would pay the tariff.

Obviously this plan would encourage the foreign buying of American wheat, since it would provide the buyer with a market for his own product. This provision clearly has dynamite in it, since the high protection afforded our large industrial enterprises by the rest of the tariff bill is at stake.

Also it is true that the debenture plan would be unfair to those farmers

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Recent Reported Earning Position of Leading Companies

(Continued from page 230)

Industrials (Continued)

Company	Period of Report	Earned per Dollar of Net Worth	Ratio of Debt to Net Worth	Earned per Share of Common	Market Value May 19, 1930, Times Earnings	Dividend Rate
Skelly Oil Co.	Quarter	.01	33	.50	17.2(g)	2
Spicer Mfg. Co.	Quarter	.02	ND	.36(b)	16.8(g)	—
Standard Brands, Inc.	Quarter	.05	NM(m)	.25	22.4(g)	1½
Standard Oil of N. J.	Year	.19	14	4.75	15.9	1(a)
Stewart-Warner Corp.	Quarter	.02	ND	.50	13.7(g)	1
Thompson Prod., Inc.	Quarter	.08	ND	.74	11.2(g)	2.40
Truax-Traer Coal Co.	Quarter	.03	63	.56	7.1(g)	1.60
United Aircraft & Transport	Quarter	.03	ND	.39	46.6(g)	—
United Carbon Co.	Quarter	.02	ND	.46	33.5(g)	.50
United Cigar Stores of Amer.	1929	.04	2	.32	19.9	—
Vadsco Sales Corp.	1929	.07	ND	.58	7.3	—
Van Raalte	Quarter	.01	ND	0	—	—
Vulcan Detinning Co.	Quarter	.02	ND	Com. & A 2.21	11.3-A(g)	4
Waldorf System, Inc.	Quarter	.05	ND	.67	10.4(g)	2
Warner Bros. Pictures	6 mos.	NR	NR	3.67	8.5(g)	4

Public Utilities

Company	Period of Report	Earned per Dollar of Net Worth	Ratio of Debt to Net Worth	Earned per Share of Common	Market Value May 19, 1930, Times Earnings	Dividend Rate
Amer. Water Works & Elec.	12 mos.	.04	94	3.93	27.8	1(a)
Central States Elec. Co.	12 mos.	NR	NR	2.02	16.2	.40(a)
Columbia Gas & Elec. Co.	Quarter	.03	33	.78	26.5(g)	2
Detroit Edison Co.	12 mos.	.09	70	10.36	22.8	8
Inter. Hydro-Elec. Co.	Quarter	.01	131	1.43-A	7.9(g)	2
Inter. Paper & Power Co.	Quarter	NR	NR	0	—	—
Niagara-Hudson Pwr. Co.	Quarter	NR	NR	.19	27.9(g)	.40
Pacific Gas & Elec. Co.	Quarter	.02	102	.93(k)	18.3(g)	2

Railroads

Company	Period of Report	Earned per Dollar of Net Worth	Ratio of Debt to Net Worth	Earned per Share of Common	Market Value May 19, 1930, Times Earnings	Dividend Rate
Colorado & Southern	1929	.06	67	9.24	8.5	—
Great Northern Ry.	1929	.06	75	10.31-P	8.5	5
Minn., St. Paul & Sault St. Mar.	1929	.03	176	4.14	14.1	4
New York, Chicago & St. Louis.	1929	.06	116	15.50	7.4	6
Western Maryland	1929	.03	69	2.66(z)	12.2	—

P—Preferred stock. (a) And extra. (b) Before taxes. (c) Before depletion. (d) Deficit. (g) Figured on basis of estimated yearly earning as indicated by period reported. (k) Based on aver. number of shares outstanding during period. (m) Including mortgages. (s) Including obligations of subsidiaries. (z) Not allowing for accumulated dividends or preferred stock. A—Cl. A stock. B—Cl. B stock. ND—No funded debt. NM—Negligible. NR—Not available.

MARKET STATISTICS

	N. Y. Times 40 Bonds	Dow, Jones Avgs. 30 Indus.	Dow, Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Saturday, May 10	88.25	272.01	143.12	226.50	223.57	1,880,450
Monday, May 12	88.29	270.16	143.26	229.17	224.57	3,026,890
Tuesday, May 13	88.19	274.17	143.17	229.79	225.58	2,697,290
Wednesday, May 14	88.18	274.40	144.61	232.17	228.27	3,179,950
Thursday, May 15	88.07	269.91	143.69	229.83	225.99	2,675,470
Friday, May 16	88.04	271.52	144.52	229.10	226.24	2,086,800
Saturday, May 17	88.08	272.41	144.93	229.18	227.88	790,960
Monday, May 19	88.03	265.87	143.80	228.43	223.53	2,413,930
Tuesday, May 20	88.05	267.10	143.86	225.72	219.59	3,526,770
Wednesday, May 21	88.11	265.52	144.80	226.49	221.52	2,078,400
Thursday, May 22	88.15	266.89	144.55	225.03	221.43	1,860,280
Friday, May 23	88.21	270.01	144.45	227.17	223.79	2,157,530

Intimate Talks with Readers

That Nuisance, the Subsidiary!

ONE of the first things an experienced investor looks for in analyzing a financial statement is whether the report shows the consolidated figures for the parent company and all its subsidiaries, or merely vouchsafes information concerning its own operations as a holding company.

If the company carries on extensive operations on its own account, a financial picture which discloses only its own activities will not be quite so misleading as if it were merely a holding company whose sole income is from interest and dividends on the securities it owns and whose sole assets are usually a little cash and furniture. But investors can gain a conception of the true state of affairs only from a full disclosure of the condition and operations of all subsidiaries and of all companies in which the parent company holds investments.

The distinction between a subsidiary and an investment is hard to draw. Disregarding a number of technicalities, it may be said that a company should be treated as a subsidiary if its activities are regulated to any important extent by the parent company. Ordinarily it may be assumed that this situation obtains in all companies of which the parent company owns a majority of the voting stock. Many parent corporations, however, include the figures for subsidiaries in their consolidated statements only when the latter are practically 100% owned; though a few corporations are now beginning to show consideration for the investing public by including in their own reports the pro rata earnings on investments. Companies whose securities are listed on the New York Stock Exchange are obliged to publish separate statements for controlled subsidiaries, in the absence of complete consolidated reports.

Subsidiaries are always a source of trouble and expense to the parent company. They complicate accounting, multiply taxes, add to overhead expenses, and frequently augment the need for working capital. In many instances a corporation would gladly dissolve a subsidiary were it not for the difficulty of acquiring a remaining handful of outstanding stock.

The law on this point is too intricate to go into here; but in certain instances a company cannot be dissolved without consent of all the stockholders. Knowing this, an insignificant minority may place a prohibitive price on its holdings, or perhaps the owners cannot be located at all. The former instance serves to account for the so-called "nuisance stock," which occasionally stages a pyrotechnic flareup in the market; for the stock exchange is always reluctant to deprive any stockholder of the advantages of having his stock remain on the list so long as the company maintains the requisite transfer office in Manhattan.

And so we can understand why a corporation should maintain acquired subsidiaries in which a minority interest is still outstanding; but why perpetuate an 100% owned subsidiary, and why even organize brand new 100% owned subsidiaries? We must turn a moment to the law for an answer.

The laws of foreign countries, and even of our own constituent states, almost always discriminate against so-called "foreign" corporations in favor of "domestic" corporations. A domestic corporation is one organized in the state (or country) in which it is doing business; all others are classed as "foreign."

A prominent recent example of this is the International Nickel Co. of Canada, Ltd., whose shares are listed on the New York Stock Exchange. International Nickel was formerly a New Jersey corporation; but, desiring to acquire the Mond Nickel Co., Ltd., of England, and thereby effect control of 90% of the world's nickel supply, it became necessary to organize the Canadian company to take over shares of the Mond Co. and physical assets of the New Jersey corporation, thereby circumventing our Sherman anti-trust law. In the meantime, the New Jersey company was converted into a holding company, the Nickel Holding Corporation, which controls the stock of the Canadian company.

Another advantage of subsidiaries is that extensive activities may be controlled, through a chain of holding companies, by ownership of a comparatively small amount of stock. The emphasis in this advantage is commonly placed upon the holding company; but there could be no holding company without subsidiaries to hold.

The reason for domestic subsidiaries is usually to be found in the fact that our state laws place heavy penalties upon foreign companies, and sometimes even upon their officers personally, who do business in a state without being qualified, licensed, or registered to do so; and it is sometimes cheaper, and more advantageous for other reasons, to organize a small domestic subsidiary than to qualify as a foreign corporation.

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A sixteen-page brochure, describing the history, management, progress and prospects, has been prepared by Normandie National Securities Corporation. Copy gladly mailed upon request. (738).

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and its subsidiary, controlled and affiliated companies are analyzed in a new booklet issued by Pynchon & Co. A free copy will be sent upon request. (742).

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A. G. Becker & Co. offers a special circular indicating the position of the Convertible Class A Stock of this Company, listed on the New York Stock Exchange. Net income of the Company for the first quarter of 1930 represented an increase of 56% over earnings for the same period of 1929. Important current developments indicate that this stock is an interesting investment at present levels. Send today for 745.

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is the title of the weekly publication issued by the Appalachian Gas Corporation and contains timely information on the natural gas industry and the securities of this system. Your name will be placed on the regular mailing list upon request. (749).

NATIONAL BISCUIT COMPANY
The current weekly Market Letter of Morrison & Townsend contains an interesting analysis of this company, which should be read by every investor interested in their securities and financial outlook for N. B. C. Send for 750.

UNION PACIFIC RAILROAD
The current Weekly Review of Prince & Whitely, members New York Stock Exchange, contains interesting information on this important carrier. Every investor holding any of the securities of this company should send for a copy of this Review, sent free. (751).

A COMPLETE FINANCIAL LIBRARY IN 11 VOLUMES
These eleven Standard Books, published by The Magazine of Wall Street, cover every phase of modern security trading and investing. Available at moderate cost. Write for descriptive circular. (752).

WHEN TO BUY AND WHEN TO SELL
The Investment and Business Forecast, the only security advisory service conducted by or affiliated with The Magazine of Wall Street, definitely advises subscribers what securities to buy or sell short and when to close out or cover. Current weekly edition and full particulars sent without obligation. (753).

(Continued from page 231)

raising crops which have no exportable surplus; whereas the raisers of cotton, tobacco and other export-surplus crops would receive an abnormally high benefit. It is no wonder that this whole problem has been subjected to such lengthy debate; but if the debenture clause is retained in the final bill submitted to President Hoover, a veto is practically certain.

The Hawley-Smoot tariff bill carries more than 750 increases in materials used in the manufacture of automobiles; but this is only a part of the full story. In retaliation for such discriminative duties as those originally placed on lace, the French Government has increased the tariff rates on completely assembled cars from 20 per cent to 30 per cent; on parts, about 15 per cent; and on trucks only slightly. Other countries are doing likewise. The imports of automobiles into the United States have never been of any great importance, being limited chiefly to the high priced models, so that the 60 per cent reduction in United States tariff rates on automobiles carries little weight. Already American capital has moved over to the centers of the foreign automobile markets — witness the large Ford and General Motors plants in Europe—and still further progress along this line of development appears in prospect.

The iron trade, and the tin-plate, silk and woolen industries in this country have been built up to their present commanding positions largely through the protection afforded over many years by a tariff wall. In fact, it is doubtful if countries such as America and Germany, even with their vast natural resources and power supply, could have made such rapid industrial progress during the past century without the protection of a tariff wall.

But in 1930 conditions have changed materially. The height of the present American tariff wall appears open to serious question. What America gains in protecting limited groups and industries within her borders is counterbalanced by the increased burden forced upon that great body of wage earners, farmers and professional men who make up the all important consumer purchasing power.

And the opposition is not limited to the confines of the United States. Up to this time, no less than 34 nations have sent formal protests to the State Department at Washington. In the case of Canada, Cuba, France, Australia and Germany retaliatory tariffs have already been put into practice, with automobiles, farm machinery, typewriters and sewing machines singled out for the heaviest burden.

A few of these 34 foreign countries, and the commodities most frequently mentioned in their protests to Washington follow:

Italy—Olive oil, cheese, canned tomatoes, cherries in brine and lemons.

France—Roquefort cheese, gelatine buttons and glue.

Norway—Repair parts and supplies for ships.

Holland—Cigar wrappers.

Switzerland — Watches, women's shoes and cotton handkerchiefs.

Egypt—Onions.

Canada—Cattle, fruits, dairy products and machinery.

Is it Sound to Check the Swing of the Business Pendulum?

(Continued from page 171)

to disturb natural economic forces. The controlling factor in commodity prices under present circumstances is productivity and oversupply rather than the prevailing level of money rates. The slogan of the Washington conferences is "Keep Going"—at least this is what it is taken to be by producers and manufacturers who continue to keep the markets well supplied. The price structure of the steel industry, for instance, is seriously undermined by the effort of the leading companies to keep production up as high as possible. It would seem that producers are heeding the Washington advices more effectively than consumers. The former are motivated to some extent by the belief and the hope that a turn will come in buying in time to relieve the situation. One wonders what would happen if this turn is too long delayed.

In this connection, the price situation in the copper industry might be quoted as an example of coordinated effort and its ultimate effect on prices. In the face of a decidedly unfavorable statistical position of the red metal supplies held by the producers, a determined effort was made to hold the level at 18 cents a pound. A general movement among producers to reduce production was started last summer, but nevertheless copper stocks mounted with one brief exception in the fall. It was the pressure of stocks on hand that ultimately broke the price of copper and only when the level came down to between 12 and 13 cents did these supplies on hand start to move into consumers hands in any appreciable volume. And it is only reasonable to recognize that violent disruptions go hand in hand with efforts to restrict natural economic forces, whether it is the copper industry or any other industry concerned.

Raw and Finished Inventories

As far as inventories are concerned in their relation to falling commodity prices, it is indeed fortunate that industry had learned to adopt the hand-to-mouth policy of buying before the 1929 depression began. Consequently, losses on inventories have not been excessive. Particularly in the case of finished goods and the stocks on merchants' hands, it is to be noted that inventories have fallen since last fall, relieving the retail lines of the unpleasant necessity of forced sales and frozen bank loans.

There is one exception also to be noted, however, and this is the case of inventories of raw materials. Here the tendency is for an increase in stocks on hand ever since the spring of 1929, and it is in raw materials that commodity prices have taken their most severe dip. This situation while traceable indirectly to the general movement among important business leaders to cooperate with the government's plans to restore prosperity, may ultimately be relieved by the same agency. Construction work both public and private that was allotted for the spring of 1930 through these conferences has not as yet gotten under full sway. When it does, and the time is near at hand, it should help to take up some of the abundant supply of raw materials now available.

In making any appraisal of the effect of the Governmental efforts to stay the forces of reaction and to guide the present and future movement of business, one must recognize that an uncharted field is being entered. Much has already been accomplished. The fear of a prolonged business recession has been largely eliminated. Consequently business can move ahead in an orderly manner without running into the obstacles that a panic psychology ordinarily throws in the way of commercial progress during periods when business activity is retarded. Manufacturing industries which have struggled with the problem of over capacity for a number of years are emerging from the current recession with as much virility for competition as they had when they entered it—a factor that is likely to slow up the recovery.

Every effort to introduce stability in business in the past has proved to be a two-edged sword. By eliminating the valleys of any industrial progress, the peaks are also reduced. The new forces that have been introduced into the current business situation by President Hoover's campaign to avert panic must be expected, therefore, to exert a retarding influence on the forward movement. The fundamental reason why business activity falls to a lower scale is the fact that business generally needs a rest. The present instance is no ex-

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New York

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Texas

To Building and Loan Investors:—

We are endeavoring to give our subscribers and readers more explicit information on their B. & L. holdings. Therefore, we will be pleased to give you an opinion on any individual Association located in the United States, provided we have available data on which to base an opinion. Address Building & Loan Association Dept., The Magazine of Wall Street, 42 Broadway, New York City.

Colorado

Texas

Florida

Texas

ception to this rule. If business does not have a complete rest, naturally, its vigor on the recovery will also be reduced.

In the long run, however, there is no question but that business will benefit from the attempt to check the full force of the present recession. Even though the recovery is no quicker than it might have been without "prosperity control," business would still be the gainer from the attempt. Industry can well afford to lessen its tremendous pace of the past year and still operate profitably—providing that it does not have to pay the cost of too violent swings in the prosperity pendulum. A more even keel for production with a secular trend upward will produce more profits for stockholders in the long run than violent changes from tremendous activity to costly recession of activity. Safe profits which are earned through efficient operation are more desirable than a large upturn of income which soon turns into a deficit.

Trade Tendencies

(*Continued from page* 206)

in the Chicago district which have been running close to capacity all Spring have curtailed operations to 80%. Takings of Western manufacturers of agricultural implements have also tapered seasonally. On the other hand, structural steel orders are increasing and should continue to expand through the Summer. Automotive requirements are somewhat heavier but the probability that May will be the peak month in automobile production negates the hope for increased tonnage from this source of consumption during the near term.

While the report of the Steel Corporation of a 216,433 ton decrease in unfilled orders as of April 30th has been regarded in several quarters as an unfavorable omen, it may be pointed out that the April 30th report is some 190,000 tons higher than the monthly average for 1929. Furthermore, single monthly fluctuations in the unfilled tonnage report are not reliable criteria of the state of steel business inasmuch as they merely reflect the proportion between provisional orders (which may or may not be cancelled) and current shipments.

The steel price structure has undergone several cuts and the softness still noticeable in spots would suggest that the lowest levels have not yet been reached. In consequence, earnings may be reasonably expected to be slightly lower for the current quarter.

For Feature Articles to Appear In the Next Issue See Page 165

CHEMICALS

Earnings Hold Well

Among the industrial groups that are making headway despite the current business depression is the manufacture of chemicals. In the first quarter this year, earnings of leading companies are said to have averaged only about 4% under those of the corresponding quarter last year and current indications point to a better showing for the present period. However, chemical products and their uses are so diverse and so inextricably interwoven with all branches of industry that certain types of products must inevitably suffer from reduced industrial requirements while others are expanding in response to growing demands of agriculture and of special processes. It is to the general balance we must look for average improvement.

At the present time, demand for nitrates and sulphur for fertilizing purposes is expanding satisfactorily. Development of extensive plants for recovery of nitrogen from the atmosphere is gradually capturing the domestic market. It seems only a question of time until enough of this product will be produced in this country to supply domestic needs. Welding materials such as acetylene and oxygen are meeting a growing market and the heavy construction projects in prospect for this year should hold demand to high levels. Other products, however, such as chlorine, alcohol, carbon black, paints and varnishes are somewhat unfavorably affected by diminished industrial and manufacturing requirements. In most cases, the immediate future of these products will be contingent on the extent of the general business recovery.

Weakness in the general price structure, indicated by a decline in the U. S. Bureau of Labor index which shows 96.8 for March as compared with 97.9 in February and 101.6 for March, 1929, has had a retarding effect on net profits. While further declines in alcohol and carbon black are not impossible, average prices should hold fairly well. Stocks of chemicals on hand are reported to be somewhat heavier than usual; but the industry has entered the season of expanding consumption and should be able to reduce reserves without much difficulty.

A large foreign field remains to be exploited. Until recently, American chemical manufacturers were so engaged in organizing to meet foreign competition in the domestic field that they were unable to enter foreign markets to any great extent. Our export chemical trade is now definitely on the up grade and may be expected to become increasingly important in the next few years.

While a few companies whose products are confined to chemicals in an unfavorable position are likely to report unsatisfactory earnings for the first half year, other concerns specializing in favored lines or maintaining a well diversified output should be able to improve their profit position.

Important Dividend Announcements

NOTE—To obtain a dividend directly from the company, the stockholder must have his stock transferred to his name before the date of the closing of the company's books.

Ann'l Rate		Amount Declared		Stock Record	Payable
$4.00	Am. Locomotive com...	$1.00	Q	6-13	6-30
7.00	Am. Locomotive pfd....	1.75	Q	6-13	6-30
5.00	Am. Sugar Ref. com...	1.25	Q	6-5	7-2
7.00	Am. Sugar Ref. pfd...	1.75	Q	6-5	7-2
6.00	Am. Water Works pfd.	1.50	Q	6-12	7-1
7.00	Atl. Coast Line com...	3.50	Sa	6-12	7-10
Ext	Atl. Coast Line com...	1.50	—	6-12	7-10
7.00	Bethlehem Steel pfd....	1.75	Q	6-6	7-1
7.00	Budd Wheel pfd.......	1.75	Q	6-10	6-30
Ext	Budd Wheel pfd.......	0.75	—	6-10	6-30
1.00	Budd Wheel com.......	0.25	Q	6-10	6-30
6.00	Case, J. I., com.......	1.50	Q	6-12	7-1
7.00	Case, J. I., pfd.......	1.75	Q	6-12	7-1
5.00	Chic. & N.W. Ry. com.	1.25	Q	6-5	6-30
7.00	Chic. & N.W. Ry. pfd.	1.75	Q	6-5	6-30
6.50	Ches. & Ohio pfd......	3.25	Sa	6-7	7-1
7.00	C., R. I. & Pac. com..	1.75	Q	6-6	6-30
6.00	C., R. I. & Pac. pfd..	3.00	Sa	6-6	6-30
7.00	C., R. I. & Pac. pfd..	3.50	Sa	6-6	6-30
3.00	Chile Copper	0.75	Q	6-13	6-27
12.00	Coca-Cola Int'l com....	3.00	Q	6-12	7-1
6.00	Coca-Cola Int'l A......	3.00	Sa	6-12	7-1
6.00	Coca-Cola Co. com.....	1.50	Q	6-12	7-1
3.00	Coca-Cola Co. A.......	1.50	Sa	6-12	7-1
6.00	Commonw'th & So. pfd.	1.50	Q	6-9	7-1
6.00	Elec. Stor. Bat. Pfd...	1.25	Q	6-7	7-1
6.00	Elec. Stor. Bat. Com..	1.25	Q	6-7	7-1
1.50	Fed. Lt. & Tr. com...	0.37½	Q	6-13	7-1
Stk	Fed. Lt. & Tr. com....	1%	Q	6-13	7-1
4.00	Gen. Asphalt	1.00	Q	6-2	6-16
5.00	Hudson Motor	1.25	Q	6-11	7-1
1.00	Int. Nickel	0.25	Q	6-2	6-30
Ext	Jewel Tea com.........	1.00	—	6-2	6-16
3.00	Loew's Inc.	0.75	Q	6-14	6-30
2.00	Nat. Dairy Prod. com..	0.50	Q	6-3	7-1
7.00	Nat. Dairy Prod. pfd..	1.75	Q	6-3	7-1
Stk	Nat. Dairy Prod.......	1%	Q	6-3	7-1
Stk	No. American com.....	2½%	Q	6-5	7-1
3.00	No. American pfd.....	0.75	Q	6-5	7-1
4.00	Paramount-P. com. ...	1.00	Q	6-6	6-28
2.00	Phillips Pet.	0.50	Q	6-10	6-30
3.50	Radio Corp. pfd. A..	0.87½	Q	6-2	7-1
5.00	Radio Corp. pfd. B....	1.25	Q	6-2	7-1
1.60	Remington-Rand com...	0.40	Q	6-7	7-1
7.00	Remingt.-Rand 1st pfd.	1.75	Q	6-7	7-1
8.00	Remingt.-Rand 2nd pfd.	2.00	Q	6-7	7-1
8.00	St. L., San F. Ry. com.	2.00	Q	6-2	7-1
1.40	Shell Union Oil com...	0.35	Q	6-4	6-30
5.50	Shell Union Oil pfd..	1.37½	Q	6-10	7-1
3.00	Spicer Mfg. pfd.......	0.75	Q	6-2	6-15
4.00	Texas Gulf Sulphur....	1.00	Q	6-2	6-16
5.00	Underwood-E.-F. com...	1.25	Q	6-12	6-30
7.00	Underwood-E.-F. pfd...	1.75	Q	6-12	6-30
2.60	Union Carbide & Cabon.	.65	—	6-2	7-1
10.00	Union Pacific com.....	2.50	Q	6-2	7-1
3.00	United Corp. pref......	0.75	Q	6-5	7-1
1.00	United Fruit	1.00	Q	6-2	7-1
2.00	Walworth com.	0.50	Q	6-5	6-16
2.00	White Motor	0.50	Q	6-12	6-30

Financial Notices

Annual Reports | Annual Reports | Annual Reports

ROSSIA INSURANCE COMPANY OF AMERICA

HARTFORD, CONNECTICUT

Year Ending December 31, 1929

INCOME

Surplus Brought Forward		$5,462,338.66
Premium Reserve from Previous Year	$7,274,586.87	
Premiums Written in 1929	9,691,653.63	
Loss Reserve from Previous Year	1,431,001.00	
		18,397,241.50
Interest and Rents Earned		692,500.31
Decrease in Other Reserves		173,000.00
Surplus Paid In		1,202,574.55
		$25,927,655.02

DISBURSEMENTS

Commission	$3,274,293.54	
Losses Paid	4,926,655.15	
Loss Reserve	1,396,057.00	
Premium Reserve	7,813,260.55	
		$17,410,266.24
Expenses		885,979.92
Dividends Declared, Cash		582,000.00
Dividends Declared, Stock		400,000.00
Loss from Investment Profit and Loss Items		378,115.53
Surplus		6,271,293.33
		$25,927,655.02

ASSETS

Cash	$1,306,060.98
Bonds and Mortgages	5,302,771.73
Stocks	11,353,467.44
Balances Due from Companies	933,992.01
Accrued Interest	86,489.72
Real Estate	529,829.00
	$19,512,610.88

LIABILITIES

Premium Reserve		$7,813,260.55
Reserve for Losses		1,396,057.00
Reserve for Dividends		165,000.00
All Other Liabilities		167,000.00
Reserve for Contingencies		200,000.00
Conflagration Loss Reserve		500,000.00
Capital	$3,000,000.00	
Surplus	6,271,293.33	
Surplus to Treatyholders		9,271,293.33
		$19,512,610.88

Dividends and Interest | Dividends and Interest | Dividends and Interest

E. I. DU PONT DE NEMOURS & CO.

Wilmington, Del., May 19, 1930.

The Board of Directors has this day declared a dividend of $1.00 per share on the outstanding $20.00 par value common stock of this Company, payable on June 14, 1930, to stockholders of record at the close of business on May 29, 1930; also dividend of $1.50 a share on the outstanding debenture stock of this Company, payable on July 25, 1930, to stockholders of record at the close of business on July 10, 1930.

CHARLES COPELAND, Secretary.

Tennessee Copper & Chemical Corporation

61 Broadway, New York

The Board of Directors of the Tennessee Copper & Chemical Corporation has this day declared a quarterly dividend of twenty-five cents (25c) per share on the issued and outstanding capital stock of the company, payable June 16, 1930, to stockholders of record at the close of business on May 31, 1930. The transfer books of the company will not close.

E. H. WESTLAKE, Treasurer.

May 13, 1930.

TEXAS GULF SULPHUR COMPANY

The Board of Directors has declared a distribution of $1.00 per share on the Company's 2,540,000 shares of capital stock without nominal or par value, payable on June 16, 1930, to stockholders of record at the close of business on June 2, 1930. Stockholders will be advised later as to what portion of said distribution is from Free Surplus and what from Reserve for Depletion.

H. F. J. KNOBLOCH, Treasurer.

THE ELECTRIC STORAGE BATTERY COMPANY

Allegheny Avenue and 19th Street

Philadelphia, May 20, 1930.

The Directors have declared from the Accumulated Surplus of the Company a quarterly dividend of One Dollar and Twenty-five Cents ($1.25) per share, on the Common Stock and the Preferred Stock, payable July 1, 1930, to stockholders of record of both of these classes of stock at the close of business on June 7, 1930. Checks will be mailed.

WALTER G. HENDERSON, Treasurer.

Warren Brothers Company

PREFERRED STOCK DIVIDEND NO. 113

Dividends of twenty-five cents (25c) per share on the First Preferred Stock and of twenty-nine and one-sixth cents (29 1-6c) per share on the Second Preferred Stock of this Company have been declared for the quarter ending June 30, 1930, payable on July 1, 1930, to stockholders of record at the close of business June 16, 1930.

E. SUTCLIFFE, Treasurer.

Warren Brothers Company

COMMON STOCK DIVIDEND

A quarterly dividend of seventy-five cents (75c) per share has been declared on the Common Stock of this Company, payable on July 1, 1930, to stockholders of record at the close of business June 16, 1930.

E. SUTCLIFFE, Treasurer.

UNION CARBIDE AND CARBON CORPORATION

A cash dividend of sixty-five cents (65 cts.) per share on the outstanding capital stock of this Corporation has been declared, payable July 1, 1930, to stockholders of record at the close of business, June 2, 1930.

WILLIAM M. BEARD, Treas.

AMERICAN TELEPHONE AND TELEGRAPH COMPANY

163rd Dividend

THE regular quarterly dividend of Two Dollars and Twenty-Five Cents ($2.25) per share will be paid on July 15, 1930, to stockholders of record at the close of business on June 20, 1930.

H. BLAIR-SMITH, Treasurer.

"Tips on Books"

Book Review Section of the Magazine of Wall Street

FINANCE · ECONOMICS · TRAVEL · FICTION · BIOGRAPHY

MEETING THE BEAR MARKET

By Glenn G. Munn

Harper & Brothers, New York

IN "Meeting the Bear Market" Glenn G. Munn paints one of the most complete and life-like word pictures available of the atmosphere, the enthusiasm, the overthrow of pessimism and complete disregard for past experience that prevailed during the latter stages of the Coolidge-Mellon-Hoover bull market. The reader listens on the inside to the merger tips "manufactured" each morning; the announcement of the new investment trust security issues to be floated during the day, and which are certain to be grabbed up immediately as they ascend perpendicularly to new peak levels. He hears the "friendly" little discussions between economists, pseudo-economists, chieftains of investment trusts, bankers, ex-bankers, leading market sponsors—and the Federal Reserve Board. All of this is very effectively summarized in an amusing list of "Modernistic principles formulated by the protagonists of the new era." A suggested model broker's letter, suitable for distribution to customers at such times, is cleverly thrown in to enliven an otherwise dullness created by excess statistics.

Considerable space is devoted to enumerating the critera for judging the end of bull and bear markets, and in comparing the stock market with a national bank or trust company; but we were much more impressed with a list of "Maxims on speculation" and some "Technical principles." Certainly the great majority of investors and speculators would do well to memorize and follow these suggestions to the letter.

As for the future—the author risks several forecasts in the concluding chapter that should be of special interest to investors. While pointing out that on almost any cycle theory basis, 1930 is scheduled to be an off year in stock prices; yet he sees a marked revival in business and security prices under way by the fourth quarter, and concludes that all purchases of stock for holding into the next major movement should have been completed by about May 1st, 1930.

All told Mr. Munn's contribution contains much information of genuine help to the average investor. Perhaps it might have been entitled more appropriately, "Preparing for the Coming Bull Market"; but regardless of its somewhat misleading title, this book deserves inclusion in any well rounded library of financial publications written in popular style.—D

* * *

WATCH YOUR MARGIN

Anonymous

With An Introduction By

W. E. Woodward

Horace Liveright, New York

THE investor who admires statistics and likes to play with facts and figures before he places his money in the great financial pool of Wall Street will not find much stimulation for his imagination in "Watch Your Margin."

In fact, this anonymous publication is almost the antithesis of "Meeting the Bear Market." As Mr. Woodward in his introduction clearly points out, the real author's mind runs instantly to motives rather than facts. But it does present an excellent assortment of maxims and speculators' rules to follow—with the only drawback that there is much chaff to be separated before the kernel of thought can be unearthed.

"Watch Your Margin" is a series of letters between a wise and shrewd old uncle and his cherished nephew. There is an element of frankness and sincerity in these letters which is undoubtedly preserved by the anonymous authorship; and the letters have been skillfully grouped to illustrate various important rules.

We were favorably impressed with the soundness of the principles of speculation set forth; and for the dyed-in-the-wool trader, or the speculative type of investor, a careful perusal of these letters should provide an excellent background for better market procedure. The book is written in interesting style, and should have a wide appeal. It would command more attention if the author would sign his name.—D.

Financial Notices

Dividends and Interest

Public Service Corporation of New Jersey

Dividend No. 92 on Common Stock
Dividend No. 46 on 8% Cumulative Preferred Stock
Dividend No. 30 on 7% Cumulative Preferred Stock
Dividend No. 8 on $5.00 Cumulative Preferred Stock

The Board of Directors of Public Service Corporation of New Jersey has declared dividends at the rate of 8% per annum on the 8% Cumulative Preferred Stock, being $2.00 per share; at the rate of 7% per annum on the 7% Cumulative Preferred Stock, being $1.75 per share; at the rate of $5.00 per annum on the non par value Cumulative Preferred Stock, being $1.25 per share, and 85 cents per share on the non par value Common Stock for the quarter ending June 30, 1930. All dividends are payable June 30, 1930, to stockholders of record at the close of business May 31, 1930.

Dividends on 6% Cumulative Preferred stock are payable on the last day of each month.

T. W. Van Middlesworth, Treasurer

Public Service Electric and Gas Company

Dividend No. 24 on 7% Cumulative Preferred Stock
Dividend No. 22 on 6% Cumulative Preferred Stock

The Board of Directors of Public Service Electric and Gas Company has declared the regular quarterly dividend on the 7% and 6% Preferred Stock of that Company. Dividends are payable June 30, 1930, to stockholders of record at the close of business June 2, 1930.

T. W. Van Middlesworth, Treasurer

Shell Union Oil Corporation

65 Broadway,
New York City

May 15, 1930.

The regular quarterly dividend of One Dollar Thirty-seven and One-half Cents ($1.37½) per share has been declared upon each share of the Preferred Stock of this Corporation, issued and outstanding, said dividend to be paid on July 1, 1930 to stockholders of record June 10, 1930. Checks will be mailed.

S. W. DUHIG,
Secretary and Treasurer.

Shell Union Oil Corporation

65 Broadway,
New York City

May 15, 1930.

The regular quarterly dividend of Thirty-five Cents (35c) per share has been declared upon each share of the Common Stock of this Corporation, issued and outstanding, said dividend to be paid on June 30, 1930 to stockholders of record June 4, 1930. Checks will be mailed.

S. W. DUHIG,
Secretary and Treasurer.

LOEW'S INCORPORATED

"THEATRES EVERYWHERE"

May 21st, 1930

THE Board of Directors of Loew's Incorporated has declared the regular quarterly dividend of 75c per share on the outstanding Common Stock of this Company, payable June 30th, 1930 to stockholders of record at the close of business on the 14th day of June 1930. Checks will be mailed.

DAVID BERNSTEIN
Vice President & Treasurer

Dividends and Interest

AMERICAN COMMONWEALTHS POWER CORPORATION

New York Grand Rapids St. Louis

Dividend Notice

The Board of Directors of American Commonwealths Power Corporation has declared the following dividends:

PREFERRED STOCK

The regular quarterly dividend of $1.75 per share on the First Preferred stock, Series A, payable August 1, 1930, to stockholders of record at the close of business July 15, 1930.

The regular quarterly dividend of $1.62 per share on the First Preferred stock, $6.50 Dividend Series, payable August 1, 1930, to stockholders of record at the close of business July 15, 1930.

The regular quarterly dividend of $1.50 per share on the First Preferred stock, $6 Dividend Series of 1929, payable August 1, 1930, to stockholders of record at the close of business July 15, 1930.

The regular quarterly dividend of $1.75 per share on the Second Preferred stock, Series A, payable August 1, 1930, to stockholders of record at the close of business July 15, 1930.

COMMON STOCK

The regular quarterly dividend of 1/40 of one share, (2½%) payable in Class A Common stock on July 25, 1930, on each share of Class A and Class B Common stock, to stockholders of record at the close of business June 30, 1930.

Where the stock dividend results in Fractional shares Scrip certificates for such fractions will be issued which can, at the option of the stockholders, be consolidated into full shares by the purchase of additional Fractional shares. The Company will assist stockholders in the purchase of additional Fractional shares.

Checks and stock certificates in payment of dividends will be mailed in due course.

May 14, 1930. ALBERT VERMEER, *Treasurer.*

Monongahela West Penn Public Service Company

NOTICE OF DIVIDEND

The Board of Directors of the Monongahela West Penn Public Service Company has declared quarterly dividend No. 28 of one and three-quarters per cent (43¾¢ per share) upon the 7% Cumulative Preferred Stock, for the quarter ending June 30, 1930, payable July 1, 1930 to stockholders of record at the close of business June 16, 1930.

S. E. MILLER, *Secretary.*

MALLINSON'S
Silks and Fabrics de Luxe

H. R. Mallinson & Co., Inc.

299 Fifth Ave., New York City
May 19, 1930

Preferred Dividend No. 42

The Board of Directors of this Corporation has declared the regular quarterly dividend, No. 42, of 1¾%, on the preferred stock, payable July 1, 1930, to stockholders of record at the close of business on June 20, 1930.

E. IRVING HANSON, *Treasurer.*

Dividends and Interest

NCCA
ORGANIZATION

National Cash Credit Ass'n

American Cash Credit Corporation

Class "A" Common
Quarterly Dividend No. 4

The regular quarterly dividend of Fifteen Cents (15c) per share and an extra dividend of Twelve Cents (12c) per share has been declared on the Class "A" Common Stock of the Corporation, payable on May 24, 1930, to stockholders of record on May 10, 1930.

OSCAR NELSON, Treasurer.

American Cash Credit Corporation

Class "B" Common
Quarterly Dividend No. 4

The regular quarterly dividend of Thirteen and One-half Cents (13½c) per share has been declared on the Class "B" Common Stock of the Corporation, payable May 24, 1930, to stockholders of record May 10, 1930.

OSCAR NELSON, Treasurer.

Note: Stock originally issued after February 25, 1930, will receive a pro rata dividend according to resolution.

KEEP POSTED

The books, booklets, circulars and special letters listed below have been prepared with the utmost care by business houses of the highest standard. They will be sent free upon request, direct from the issuing houses.

PLEASE ASK FOR THEM IN NUMERICAL ORDER

We urge our readers to take full advantage of this service. Address, Keep Posted Department, Magazine of Wall Street, 42 Broadway, New York City.

STANDARD OIL ISSUES
We have available for distribution descriptive circular on all the Standard Oil issues. (219).

THE PARTIAL PAYMENT
method of purchasing good securities in odd lots and full lots on convenient terms is explained in a free booklet issued by an old established New York Stock Exchange House. (224).

ODD LOTS
A well known New York Stock Exchange firm has ready for free distribution a booklet which explains the many advantages that trading in odd lots offers to both small and large investors. (225).

A SUGGESTION TO INVESTORS
This booklet explains in detail the features of Odd-lot investing. If interested, the prominent New York Stock Exchange firm issuing this booklet will be pleased to send you a complimentary copy. (278).

THE BACHE REVIEW
By reading this timely booklet but ten minutes a week you will be able to judge the market more accurately. Send for three months without charge. (290).

FOR INCOME BUILDERS
The booklet describes a practical Partial Payment Plan, whereby sound securities may be purchased through monthly payments of as little as $10. Shows how a permanent independent income may be built through the systematic investing of small sums set aside from current earnings. (318).

MAKING PROFITS IN SECURITIES
Are you profiting by the major and also the minor swings of the market? If not, you will be interested in the above booklet issued by a leading financial service in New York City. (377).

OUR BUSINESS
The small loan field as a profitable investment is fully described in a booklet issued by the National Cash Credit Association and entitled "Our Business." A copy will be forwarded without charge upon request. (449).

SECURITY SALESMANSHIP—THE PROFESSION
An interesting discussion of this specialized field, together with information about the Course of Training being adopted by scores of leading investment firms for their men. Send for your copy. (470).

"WHAT IS THE CLASS A STOCK?"
An analysis of the Class A Stock of the Associated Gas & Electric Company, including charts, figures and descriptive information indicating the progress of the properties back of Associated securities. (492).

TOBEY & KIRK MARKET LETTER
contains each week in addition to a resumé of the market some sound suggestions in specific investments. Send for your free copy. (498).

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An interesting booklet describing thoroughly tested and successful methods employed in profitable stock market trading. Also a unique "One Outstanding Stock" method for the investor with limited funds. (504).

FREE FOLDER
explains the advantages of guaranteed income Time Certificates issued by progressive building and loan association. Affords highest type of safety and definite 6½% earnings for five-year term. Issued for $100 to $10,000—bond form with quarterly or semi-annual interest coupons. Nonfluctuating—transferable—renewable and tax exempt. (526).

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HANDY MANUAL OF INVESTMENT TRUSTS
168 pages of statistical data on 146 leading companies, recently published in pocket size by an Investment Trust Security House. Send for your free copy. (664).

A LIST OF BONDS, PREFERRED AND COMMON STOCKS
is included in the 1930 recommendations contained in an interesting booklet issued by Newman Bros. & Worms, members New York Stock Exchange. Send today for your free copy. (669).

CREDIT SERVICE 6% PROFIT SHARING BONDS
enable you to secure bond protection, yet share in the profits of the company. Original purchasers of the bonds of Credit Service, Inc., have received regularly 6% interest and one-third of the net profits. Send for interesting booklet explaining this investment. (671).

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What is the future for the securities of this public utility? You can secure a satisfactory answer if you send today for 681.

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A brief description of how Prudence-Bonds are secured by conservative first mortgages on income producing properties and guaranteed by over $16,500,000 of the Prudence Company's capital, surplus and reserves. Its message is short, but its benefits are long. Ask for 691.

RUSSELL MILLER MARKET LETTER
will be gladly mailed to you upon request. Issued by Russell Miller & Co., members New York Stock Exchange, having offices on Pacific coast and in New York. Ask for 704.

INVESTMENT SHARES
is a booklet issued by a Texas building and loan association describing the various forms of investments issued. Under state supervision. Send for 708.

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is the title of a booklet containing investment suggestions for the careful investor. If you are interested in the securities of this important public utility, send for your free copy. (727).

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NORTH AMERICAN TRUST SHARES
The investment portfolio of North American Trust Shares, the largest fixed trust in the United States, is composed of shares of common stock of outstanding corporations, deposited with Guaranty Trust Company of New York, trustee. Inquiries invited from banks, trustees, institutions, dealers and investors. Send for literature 735.

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A sixteen-page brochure, describing the history, management, progress and prospects, has been prepared by Normandie National Securities Corporation. Copy gladly mailed upon request. (738).

GENERAL THEATRES EQUIPMENT, INC.
and its subsidiary, controlled and affiliated companies are analyzed in a new booklet issued by Pynchon & Co. A free copy will be sent upon request. (742).

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Goodbody & Co. have recently prepared a circular regarding The Borden Company, which shall be gladly sent upon request. (744).

SOUND INVESTMENT SECURITIES
A. C. Allyn & Co. have prepared a list of carefully chosen, income-producing bonds and stocks to assist investors in the proper selection of sound investment securities. Send for your copy today. (732).

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The current weekly Market Letter of Morrison & Townsend contains an interesting analysis of this company, which should be read by every investor interested in their securities and financial outlook for N. B. C. Send for 750.

UNION PACIFIC RAILROAD
The current Weekly Review of Prince & Whitely, members New York Stock Exchange, contains interesting information on this important carrier. Every investor holding any of the securities of this company should send for a copy of this Review, sent free. (751).

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The cigarette that puts a spark of pleasure in every passing moment.

Camel